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NEWS SUMMARY

GENERAL

Cut of 21% in public housing

Environment Secretary Michael Heseltine yesterday announced a 21 per cent cut in housing expenditure and further council-house rent increases for the coming year.

In the first of the Government's *revised* public spending programmes to be disclosed, £540m is to be cut from local authority housing programmes in England. There will be a *20 per cent reduction in the* allocation for Scottish council housing.

Rents will increase in the second half of the year by an average of 60p a week.

Chancellor Sir Geoffrey Howe clearly indicated in the Commons that public sector borrowing would be held down in the coming financial year. **Back Page, Parliament, Page 10**

Hostage hardline

Iranian students holding the 50 hostages at the U.S. Embassy in Tehran dismissed as "foolish expectation" American hopes that the captives might be released before the deposed Shah could be returned to Iran. **War for Khomeini's ear, Page 3**

Kosygin hits out

Soviet Premier Alexei Kosygin, 76 yesterday, appeared in public for the first time since his heart attack last October. He made a fierce attack on the West, which he said was trying to undermine East-West detente.

Flood emergency

California Governor Jerry Brown has declared a state of emergency in the southern part of the U.S. state after flooding caused 16 deaths and damage in excess of $100m. Page 4

No licence

The Commission on the Safety of Medicines decided not to grant a full product licence for the long-term contraceptive injection Depo-Provera manufactured by Upjohn.

Jenkins' plea

President of the European Commission, Roy Jenkins, is to make a personal appeal to *President Giscard d'Estaing* of France in an attempt to persuade the French Government to obey the European Courts of Justice over curbs on British lamb imports. Page 2

Award for Pilger

John Pilger of the Daily Mirror has been named Journalist of the Year in the British Press Awards for 1979 for his reports from Cambodia. Page 6

Republican quits

U.S. Republican Congressman Richard Kelly, who has admitted taking $25,000 from FBI undercover agents in the Abscam inquiry, resigned from his party's policy-making caucus before it could expel him. Page 4

Ice gold

American Eric Heiden, 21, dressed in a golden suit, became the first man to win four speed skating gold medals in a single winter Olympic Games at Lake Placid, U.S.

Briefly . . .

All 13 people aboard a light aircraft were killed when it crashed while attempting an emergency landing at Sydney international airport, Australia.

India's two main non-Communist opposition parties, whose split last year opened the way for Premier Indira Gandhi's return to power, are considering a merger.

China, which five years ago condemned classical music as bourgeois and reactionary, held a ceremony to mark the 170th anniversary of Chopin's birth.

BUSINESS

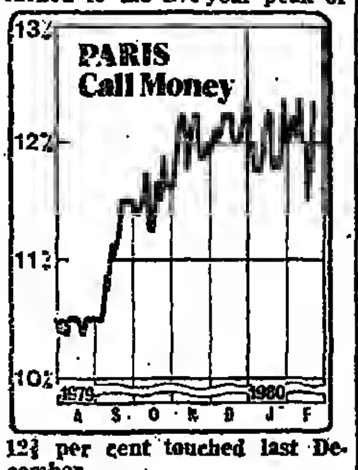
Equities and gilts dull; £ firmer

● **EQUITIES** were dull, depressed by labour disputes, and the FT 30-share index shed 0.7 to close at 457.6. However, oil shares were firm and the Gold Mines index rose 13.9 to 341.0.

● **GILTS** were mixed with shorts making gains up to ¼ although longs lost as much as ½ overshadowed by anticipation of new Government funding. The FT Government Securities index eased 0.12 to 65.84.

● **STERLING** rose 75 points to $2.2870 ($2.2795) and its index rose to 72.8 (72.5). **DOLLAR** was unchanged against Japanese currency at Y246 but eased to DM 1.7465 (DM 1.7475) and SwFr 1.6400 (SwFr 1.6430). Its index eased to 85.6 (85.7).

● **PARIS CALL MONEY** returned to the five-year peak of



12⅜ per cent touched last December.

● **GOLD** rose $30 to $657.50 in London.

● **WALL STREET** was 7.34 lower at 879.52 shortly before the close.

● **BRITISH GAS** Corporation and Mobil will recommend laying a £2bn North Sea gas pipeline soon. Back and Page 8

● **CAPITAL SPENDING** by industry last year rose 4 per cent against 1978, but investment in manufacturing was static. Page 6

● **UK IMPORTS** from the USSR rose 20 per cent last year to £828.9m from 1978's £688.2m while exports to Russia fell to £419m against 1978's £423.1m. Page 4

● **FORD OF BRITAIN** has reached an agreement worth about £12m a year for the export of about 3,000 medium-weight trucks annually to India. Page 4

● **SHELL CHEMICALS** plans to raise the price of polypropylene by 10 per cent next month and warns of further price increases. Page 6

● **WESTLAND HELICOPTERS**, the military helicopter manufacturer, may enter the civil aviation market bringing it into competition with the big U.S. producers. Page 6

COMPANIES

● **AI INDUSTRIAL** Products incurred a second-half loss in 1979 of £191,000 against a previous profit of £653,000 and the final dividend is being omitted. Pre-tax surplus for the year fell to £60,000 (£1.22m) due mainly to the engineering dispute. Page 18

● **GUTEHOFFNUNGSHUETTE** Europe's largest mechanical engineering group, reports a 23.2 per cent increase in new orders to DM 7.2bn (£1.8bn) in the first six months of last year. Page 22

● **FIRESTONE TIRE** and Rubber, the second-largest U.S. tyre producer, reported a first-quarter loss of $13.8m (£6.08m) after foreign currency losses of $16.6m due to Brazil's currency devaluation. Page 20

● **SIME DARBY**, the Malaysian multinational, has increased by 21.5 per cent its first-half pre-tax profits to 135.2m ringgit (£27.15m) from 111.3m ringgit previously. Page 22

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 12pc 1983	£92¼	+ ⅛
Courts (Frnshr.) A	88	+ 5
De Vere Hotels	236	+ 13
Electrocomponents	520	+ 13
Ferranti	506	+ 8
House of Fraser	135	+ 4
Intnl. Thomson	487	+ 7
Morgan Edwards	138	+ 15
Savoy A	138	+ 10
UDT	47	+ 4
Vaux Breweries	153	+ 4
Whitbread A	138	+ 3
W'hampton Dudley	301	+ 7
Burmah Oil	228	+ 6
Siebens (UK)	782	+ 44
Tricentrol	316	+ 18
Barymin	95	+ 8
Cons. Gold Fields	516	+ 16
Impala Platinum	324	+ 14
Pacific Copper	210	+ 12
Saint Helena	£17	+ 1¼
Sth. African Land	415	+ 64
Western Holdings	£29	+ 1¼

FALLS

Treas. 12pc 2003-05 A (£70 pd.)	£65⅞	− ½
AI Ind. Products	24	− 5
Booker McConnell	250	− 5
Carrington Viyella	14½	− 1½
Dale Electric	96	− 16
Dixor-Strand	15	− 3
Foster Bros.	92	− 8
Gillett Bros.	165	− 20
GKN	250	− 5
Metal Box	244	− 6
Thermal Syndicate	108	− 4
Tootal	27½	− 2

S. Wales pit votes show growing opposition to strike

BY OUR LABOUR EDITOR

A call to miners in South Wales to strike from Monday in protest at job losses caused by the proposed rundown in the steel industry may be rejected, according to first reports from the coalfield, where voting is taking place.

Miners at a number of pits appeared unwilling to take action without approval either of their national executive committee or the TUC.

Area leaders of the National Union of Mineworkers called the strike to capitalise on the militancy of the steelworkers in their pay dispute.

They feared that if the steel pay strike was settled the protest against closures would go by the board.

Delegates from every colliery in the coalfield voted unanimously at a meeting on Wednesday to strike from Monday.

They fear that British Steel Corporation plans to cut 11,300 jobs at the Llanwern and Port Talbot steelworks by August will hit the coalfield very seriously.

But more than a quarter of *the pits* in the *coalfield* there was an overwhelming "No" vote to the strike call.

At Cynheidre Colliery, near Llanelli, Dyfed, one of the biggest pits in South Wales, Mr. Glan Morgan, miners' lodge vice-chairman, admitted that the leaders' recommendation was rejected overwhelmingly.

"*Nobody* wants a strike. The leadership are out of touch with the membership," he said.

At least 10 pits are believed to have rejected the strike proposal, though some more militant collieries, among them those losing most money and facing closure, will not vote until tomorrow.

NUM officials will announce whether the strike is to go ahead when all votes have been counted early in the afternoon.

Mr. Jack Pugsley, lodge secretary, of Nantgarw Colliery near Treforest, Mid-Glamorgan, said: "We were prepared to join a strike aproved by the TUC, but not to be pushed into going it alone. Our men are very angry."

Miners' leaders bitterly attacked the National Coal Board for "gross interference" in union affairs.

They said that managers had attempted to force pits to bring forward their meetings, and had been passing on results from one colliery to another in an effort to swing the vote.

Mr. Don Hayward, NUM area administrative officer, accused the NCB last night of a vicious attempt to undermine the democratic processes of the union by trying to influence the vote.

Irrespective of the way the strike vote went, the union would call an emergency conference on Tuesday "to determine a course of action against the NCB."

Sir Derek Ezra, chairman of the NCB, said that a strike would be against the interests of the coalfield and the people who work in it.

"I can understand the anxiety of mineworkers in South Wales who believe their jobs to be threatened. But the way out is certainly not to add to the coalfield's financial burden by taking industrial action."

Labour News Page 10

NEW 21.4% WATER OFFER

Water authority employers yesterday improved their pay offer to 33,000 manual workers in the supply and sewerage industry by putting forward a package worth 21.4 per cent. Back Page

Employment Secretary James Prior hinted at future legislation on legally enforceable contracts which would enable employers to pay higher wages in return for two or three years of guaranteed production. Page 10

EEC offers three-way talks on steel dispute

BY ROBIN REEVES AND GILES MERRITT IN BRUSSELS

THE EUROPEAN Commission last night stepped into the UK steel dispute with a proposal for three-way discussions in Brussels during the coming weeks between itself, the British Steel Corporation and the steel unions.

The commission's initiative came at the end of a day during which British steel problems had dominated a public hearing by a European Parliament committee, attended by BSC top management and senior TUC leaders. This was followed by private discussions between the two parties and the commission.

The commission's proposals for fresh talks on the speed and scale of BSC's plan to cut 52,000 jobs by the end of August followed criticism inside the commission of the time scale.

Mr. Len Murray, TUC general secretary, said he had warned Viscount Etienne Davignon, the Industry Commissioner, and Mr. Henk Vredeling, the Social Affairs Commissioner, that the present BSC redundancy programme could create political instability in Britain.

He repeated earlier warnings of "big trouble" from the union movement unless the plan was watered down.

Mr. Murray said the commission had indicated to him that three years would be a more reasonable timetable for restructuring on such a scale.

Mr. Bob Scholey, BSC's chief executive, was unenthusiastic about the commission's proposal, although he did not dismiss it out of hand. He said he could not see what light a third party could cast on a well-known problem. If BSC did not quickly improve its competitiveness, even more jobs would disappear.

Exact details of the commission's plan to defuse the dispute before BSC's March 31 deadline for settling the redundancies issue are still being worked out. It is understood, though, that the commission does not envisage a round-table conference but rather a series of dialogues between itself and each of the two parties.

As a first step, the commission is to ask the British Government for a comprehensive memorandum on the proposed rundown.

The commission's authority as an arbitrator is being strengthened by suggestions that it could dramatically boost Community aid to the UK steel industry.

Mr. Vredeling is understood to be considering use of the "open-endedness" of certain

Continued on Back Page

Iran road contract threatened

BY RAY MAUGHAN

BATH AND PORTLAND, the civil engineering group, is threatening to end its £100m road contract in Iran. After talks with the Export Credits Guarantee Department, the group will not allocate further resources to the job.

Sir Kenneth Selby, chairman, said yesterday: "We are advised that we have valid grounds for terminating the contract now and for obtaining full damages from the client (the Iran Ministry of Roads). Should the client not pay when claims are validated these would fall upon the ECGD."

The ECGD *has* covered 90 per cent of the value of the contract.

A letter to Tehran asks the Ministry to bring all payments up to date forthwith and meet its other contractual obligations, "otherwise we shall not be able to complete the work."

Bath and Portland is one of the largest employers of British nationals in Iran with a UK staff of 50. The contract to build a major 180-mile road through Baluchistan was started in the autumn of 1975 but work was suspended in February 1978 and stage payments fell into arrears.

The group was urged to restart in April last year, when it was owed £18m on work completed and employed assets of £37m in Iran.

Sir Kenneth said: "To this day vital payments of foreign currency due prior to the revolution have not been received and accordingly we have never been able to mobilise to the extent necessary to complete the job in a reasonable period."

The total cost of interest on the financial support received from ECGD in the year ending October 31 last year was £2.5m when minimum lending rate varied from 10 to 14 per cent. Sir Kenneth *said* that since then MLR has risen to 17 per cent and the total interest charge has climbed to about £3m. Group profits for the year fell from £5.17m to £2.76m before tax.

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U.S. hint of higher tariff on UK trade

BY REGINALD DALE

THE U.S. does not rule out the imposition of higher tariffs on British goods in retaliation for the UK's curbs on imports of American synthetic fibres, Mr. Reubin Askew, the U.S. Special Trade Representative, said in London yesterday.

U.S.-EEC consultations on the Anglo-American trade dispute over synthetic fibres will start in Brussels in two weeks' time, Mr. Askew said, after talks with Mr. John Nott, the Trade Secretary.

He hoped the consultations would result in the U.S. being satisfactorily compensated for the latest British import curbs, as provided for under the General Agreement on Tariffs and Trade.

If compensation could not be agreed, however, the U.S. would have the right to *impose new* duties on British exports in retaliation. "I am not suggesting we should increase our levies, but I am not precluding it *either*," *he said.*

The U.S. was determined to assert its rights under GATT, and the British action "will cost them." Negotiated compensation would normally take the form of easier access to the UK market for other types of American exports.

Mr. Askew said he was not only concerned at the impact on U.S. exports of the British quotas on polyester filament and nylon carpet yarn, authorised by the EEC Commission earlier this week. He was particularly concerned at the way they had been introduced, effectively hitting only the U.S., Canada and Japan.

The consultations would also have to satisfy Washington on this aspect, thus raising an issue that has long been a bone of contention between the EEC and the U.S. While the community argues that existing GATT rules allow safeguard action against selected countries the U.S. maintains that they do not.

Mr. Askew pointed out that the GATT article used to justify the British quotas, Article 19, was not the one normally used by injured parties seeking to protect themselves against subsidised exports. Britain has complained that the artificially low prices of American oil and gas feed stocks effectively constitute a subsidy on synthetic fibre exports.

Controlled oil and gas prices accounted for a factor of only 2 or 3 per cent in the pricing of American synthetic exports, Mr. Askew claimed. Most of the

Continued on Back Page

HIGH COMMISSIONERS SEEK MEETING WITH CARRINGTON

UK warning to keep out of Rhodesia

BY MICHAEL HOLMAN IN SALISBURY AND MARK WEBSTER IN LONDON

BRITAIN SHOWED its growing concern yesterday at what might happen after next week's elections in Rhodesia by warning against outside intervention in the event of a breakdown in law and order.

The Government also *sought* assurances that the guerrilla commanders confine their armies to their assembly points after the elections result was announced.

Both moves came as a group of more than 30 Commonwealth high commissioners meeting in London said there was now a "*crisis of confidence*" over Britain's handling of the Rhodesia issue.

They complained that the British administration of Lord Soames was *actively* discriminating against Mr. Robert Mugabe's ZANU (PF) party.

The group is trying to arrange a meeting with Lord Carrington, the Foreign Secretary, so as to "restore a balance" between the parties in the country.

The Foreign Office warning on foreign intervention *followed* reports that South Africa was considering military action if a potentially hostile government got into power in Salisbury. The Government's warning is apparently designed to quieten fears that there is a conspiracy between South Africa and the West to keep Mr. Mugabe out of power.

Britain is devoting much of its energies to securing stability in Rhodesia once the elections results are announced *so that the new government can* take over peacefully and the 1,300 strong Commonwealth monitoring force can be withdrawn.

Reports in the South African Press about military intervention in Rhodesia—apparently carefully leaked by officials—have renewed fears that Pretoria *is not prepared to see a* potentially hostile government in Salisbury and will make it harder for the British to reach agreement with the guerrilla leaders over their *conduct* after the elections.

In Salisbury, an aide to Lord Soames, Mr. Nicholas Fenn, said he expected both Mr. Mugabe and Mr. Joshua Nkomo to order their 22,000 men now assembled in designated areas within the country to stay there after the election result has been declared.

The Rhodesian forces and the guerrilla armies are mutually suspicious about the other's intentions, when election polling ends on February *29. The highly-armed detach*ments of the Commonwealth monitoring force posted in the 14 assembly places around Rhodesia are faced with the possibility of being caught between the two antagonists if they stay, or withdraw leaving behind uncertainty.

Mr. Fenn, said last night that Lord Soames was "in touch with the commanders of both ZANLA and ZIPRA" the armies loyal to Mr. Mugabe and Mr. Nkomo.

"It is the Governor's view," he continued, "that the commanders of both forces should issue unmistakable orders to their assembled forces to stay there. It is our expectation that this will happen."

Mr. Fenn gave no details of the contacts, and nor would he be specific about the length of time the guerrillas would be expected to remain at the assembly places.

"They will be responsible to the new government when it is formed — there is no terminal date attached to that."

Meanwhile, Rhodesian police have dropped charges against the former Rhodesian Premier, Mr. Garfield Todd and Mr. Justin Nyoka, a spokesman for ZANU-PF.

Mr. Todd was charged earlier this month with "assisting a terrorist." The Attorney-General announced that the matter was being dropped following Mr. Todd's explanation of the incident. Mr. Nyoka appeared in Court yesterday after being held overnight and was charged with making inflammatory statements at a public rally. A police spokesman last night said it had been a case of mistaken identity.

Men and Matters, Page 16

£ in New York

—	Feb. 20	Previous
Spot	$2.2785-2795	$2.2760-2770
1 mth	0.50-0.45 dis	0.28-0.25 dis
3 mths	1.27-1.22 dis	1.30-1.25 dis
12 mths	3.25-3.10 dis	3.22-3.12 dis

EUROPEAN NEWS

Kosygin appears in public after four-month absence

BY DAVID SATTER IN MOSCOW

THE SOVIET Prime Minister, Mr. Alexei Kosygin, appeared in public yesterday for the first time in more than four months when he attended an election meeting in the Bolshoi theatre. He is believed to have suffered a severe heart attack in mid-October.

The 75-year-old Soviet leader, looking thin and slightly wan on television, spoke for 45 minutes before voters from the Frunze constituency in Moscow. Traces of prolonged illness were apparent in his appearance. His delivery had lost some of its force and his voice occasionally wavered and almost broke.

In his speech, Mr. Kosygin blamed the "belligerent policy of the imperialist forces" for the present crisis in East-West relations and said that the Soviet Union would not allow a change in the equilibrium of forces in the world. It would devote unflagging attention to its defence capacity.

Mr. Kosygin accused the United States of being ready to declare any part of the world a sphere of its "vital interests" as though "the United Nations charter, international law or state sovereignty did not exist at all."

Mr. Kosygin has been replaced during his long absence by Mr. Nikolai Tikhonov, the first Deputy Prime Minister, who was promoted to full membership in the ruling Politburo shortly after Mr. Kosygin fell ill. Mr. Tikhonov is 74.

No official explanation has been given for Mr. Kosygin's absence and the Soviet Press continued to publish messages from him to foreign leaders. It is not known whether Mr. Kosygin will resume his previous duties as supreme manager of the Soviet economy.

Mr. Kosygin: speech to election meeting

Vance fails to persuade French

By Terry Dodsworth in Paris

AFTER THREE HOURS of talks yesterday Mr. Cyrus Vance, the U.S. Secretary of State, was unable to persuade the French Government to modify its opposition to boycott the Moscow Olympics.

Following the discussions with M. Jean François-Poncet, the French Foreign Minister, Mr. Vance said there had been substantial agreement on the origin of the problems raised by the Soviet invasion of Afghanistan. There was also a similarity of views on the objectives of the two countries in resolving the crisis.

But in an apparent reference to the American proposals for the boycott and tougher economic sanctions against the Soviet Union, he said differences remained "on the actions to be taken in response to the problem." The French Government considered such measures would result in a toughening of the Soviet position.

No agreement

While the EEC proposals for a neutral Afghanistan were discussed, no specific agreement was reached, according to French officials.

● *Nearly all shops and stores in Kabul were closed yesterday in the most spectacular protest so far against the Russian military occupation of Afghanistan, Reuter reports.* The shopkeepers obeyed a rebel leaflet urging them to show their "unanimous condemnation" of the invasion by paralysing the commercial life of the city of 1m people, despite frantic efforts to force them to stay open.

CHRISTIAN DEMOCRATS BAR DOOR TO COMMUNISTS

Italian ruling party swings to right

BY RUPERT CORNWELL IN ROME

WITH A decision to bar the doors of government to the Communists, Italy's ruling Christian Democrats have taken an important move towards the right at their national congress here—and further narrowed the options for a resolution of the country's political deadlock.

The veto is contained in a preamble to an otherwise inconclusive document winding up the congress yesterday. It is above all a clear defeat for the party's reformist wing, led by Sig. Benigno Zaccagnini, the outgoing secretary, and Sig. Giulio Andreotti, the ex-Prime Minister, which was ready to contemplate an emergency government with the Communists.

In the final vote, the group only commanded 43 per cent of support, against 57 per cent for a centre-right "cartel" embracing Sig. Flaminio Piccoli, the party president and a leader of the centrist "Doroteo" faction, former Premiers Colombo and Rumor and Sig. Amintore Fanfani, president of the Senate and the driving force behind the anti-Communist lobby.

The key passage of the preamble supports the notion of national solidarity between all parties, but explicitly rules out in advance any question of Communist ministers in the Italian Cabinet, on the grounds of both national and international considerations. And although the majority endorsing it was put together by the traditional means of horse-trading and backroom dealing, its content is in fact a faithful reflection of the manifest anti-Communist mood of the congress.

The rejection of the Zaccagnini-Andreotti line will have far reaching consequences. In the first place serious doubt must now surround the prospect of all-party talks, including the Communists, to work out a more stable political arrangement.

Attention now switches back to the divided Socialist Party, on whose abstention in Parliament the fragile Government of Sig. Francesco Cossiga depends to survive. The Socialists had reached an apparently uneasy compromise among themselves to cut off this lifeline once the Christian Democrat congress had ended. But a decision on whether to do so risks reopening the split between the Socialist right and its left wing, which is insistent that the Communists must be brought into government.

If the Christian Democrats cannot do a deal with the Socialists—on the face of it unlikely—the threat of an early general election would loom large. The main obstacle indeed is only the reluctance of politicians to call a new poll, one year after the last, which probably would be inconclusive.

These circumstances lead many observers to believe that the politicians, faced with an apparent stalemate, will again postpone the moment of truth, perhaps until after the regional elections due this spring.

In the meantime, the outcome of the congress has enhanced the prospects of Sig. Piccoli being chosen as party secretary at the first session of the Christian Democrats' National Council, to be held in the next three weeks. His replacement as president could be Sig. Andreotti.

Commission skirts oil levy issue

BY JOHN WYLES IN PARIS

THE COMMISSION of the European Community is backing away from taking an early decision on whether to propose a levy on oil imports.

After discussions this week, the 13-member Commission has agreed to prepare a paper for the Heads of Government meeting in Brussels at the end of March which will focus more on the basic requirements of a Community energy policy and on possible programmes.

But the question of how Brussels should raise money for energy conservation and developing alternative energy sources will not be tackled for the time being. The Commission hopes that if member countries can be persuaded of the positive benefits of a Community-wide effort on energy, they will be more ready to take difficult decisions on how the policy should be financed.

Examination of the funding problem within the Commission is highlighting a number of difficulties. An oil import levy, for example, would almost certainly fall foul of the Community's commitments under the General Agreement on Tariffs and Trade and might provoke a reaction from Middle East oil producers.

There has been some talk this week on the possibility of coupling a levy with some form of consumption tax in each member state to drive home the EEC's commitment to conservation.

This and other ideas will be presented as options for the Heads of Government to consider. They will be related to a proposal that Britain, as the EEC's sole oil producer, should impose a new production tax on North Sea producers so that they do not gain from the fact that the Community oil price, boosted by an import levy, would be higher than the world price.

W. German plastics optimistic on growth

By Kevin Done in Frankfurt

WEST GERMANY'S plastics processing industry expects further solid growth this year despite fears about rising raw material prices and early signs that some plastics consumers are switching back to traditional materials because of rising prices.

Total sales of plastics products grew by 8 per cent in real terms last year to nearly DM25bn (£6.25bn), and the industry is confident that sales will show a further real expansion of some 6 per cent this year.

Plastics processing plays as large a role in the West German economy as some traditional heavy industries, such as mining, but, in contrast to older manufacturing sectors, it consists of a very large number of small and medium-sized companies.

The plastics federation said yesterday that general profitability improved markedly last year (the return on sales is estimated at 5.5-6 per cent compared with an average 4.8 per cent for the previous five years) but the smaller companies did not share in this improvement.

These are suffering from falling profits, lower investment and inability to recover the rising costs of labour and raw materials. The industry's workforce grew last year by 6.9 per cent to 207,200.

A strong attack has been launched on raw materials suppliers, the major chemicals companies, which they accuse of raising prices far above the corresponding rises in oil and basic petrochemicals.

The plastics federation said yesterday that since September 1978, the prices of most of their raw materials had risen by 60-84 per cent, while the prices of some materials had more than doubled.

Sales by the plastics processing industry showed a nominal rise of more than 20 per cent last year, but companies complained that, with a real sales increase of 8 per cent, they had managed to pass on only a limited part of the raw materials cost increases.

Herr Ludwig Eberhardt, chairman of the federation, said yesterday that there were already signs of some consumer industries switching away from plastics to traditional materials, such as paper and metals.

This trend is not yet causing too much concern, however, as the plastics industry is confident that general rises in energy prices will also boost prices of other rival materials such as paper, board, glass and metals.

A majority of companies in the industry report order books above, or at the same level as, 12 months ago and capital investment is still showing a rising trend with expenditure expected to total more than DM 1.5bn this year.

Finance Minister's resignation jolts Netherlands coalition

BY CHARLES BATCHELOR IN THE HAGUE

THE CRISIS facing the Netherlands' two-party coalition Government has blown up at a time when Prime Minister Dries van Agt's Administration appeared to be firmly in the saddle. Within two months of his skilful piloting of his government through a series of tough parliamentary debates over NATO's nuclear modernisation plan, economic difficulties have disrupted the calm.

Mr. Frans Andriessen, the Finance Minister, offered his resignation on Wednesday after the Cabinet failed to approve his plan to cut Fl 4bn (£900m) off public spending estimates this year. Instead it agreed a programme believed to entail spending cuts of Fl 3bn. This figure was a compromise between Mr. Andriessen's demands and the Fl 2bn of cuts which Dr. Willem Albeda, the Social Affairs Minister, had wanted.

Erratic course

The Cabinet, composed of 10 Christian Democrats and six Liberals, has steered an erratic economic course. In its first year in office it announced a four-year programme of spending cuts totalling Fl 10bn. The last budget presented in September revealed, however, that much of this plan had been dropped and that the Government was hoping that new spending programmes would revive the economy.

The rises in the price of OPEC oil last year prompted a sharp revision of official Dutch forecasts, however, and showed that considerable savings were necessary. Under strong pressure from the central bank, the Government is trying to cut spending again and to reduce the size of the public sector borrowing requirement.

Attempts to cut government spending, which would hold down the salaries of many public sector workers, and appeals to the unions to reduce their wage demands in private industry have met increasing opposition. The largest union federation, the 1.1m-strong FNV, is holding protest meetings throughout the country to mark its opposition to the two-month wage freeze imposed by the Government in January.

Though the position of the Cabinet was still unclear yesterday the fact that no other Ministers followed Mr. Andriessen's example suggested that the Government had increased its chances of survival.

Left-wing politicians claimed that the loss of the Finance Minister was such a significant blow that the Government could not remain in office. However, Mr. Andriessen is not the first Minister to resign from the present administration. Barely three months after it took office in December 1977, Dr. Roelof Kruisinga, the Defence Minister, resigned over his opposition to the neutron bomb.

The 50-year-old Mr. Andriessen played a central role in the Catholic party and the Christian Democratic movement in the 1970s though he was passed over for Mr. van Agt as leader of his party's electoral list in 1977. A lawyer by training, without a strong background of financial matters, he is seen as an unusually straight-forward politician lacking ability to compromise.

Broken off

Queen Juliana broke off her winter holiday in Austria to meet Mr. van Agt in Zurich to discuss the situation. They both then flew back to the Netherlands yesterday afternoon. The Queen's announcement of her plan to abdicate in April means that Crown Princess Beatrix might be faced immediately with overseeing lengthy negotiations over a new coalition.

It could take months before a new government was well enough established to tackle the Netherland's worsening economic position. Both governing parties have good reason for wanting the present administration to stay in office. Recent public opinion polls have shown that, for the first time, the Labour party and the smaller Democratic 66 party could form a majority in Parliament.

Air controllers strike challenge to Lisbon

THE strike by Portugal's air traffic controllers has highlighted the difficulties of the Government in holding down wages, writes Jimmy Burns in Lisbon. The controllers are insisting their increases be backdated 12 months because of delays in reaching a settlement before the end of last year. They also want a shorter working week.

The strike is affecting some 250 flights a day and is having serious effects on tourism and on Air Portugal the national airline which is believed to be losing £460,000 a day.

Jenkins plea to Giscard on lamb

BY MARGARET VAN HATTEM IN BRUSSELS

MR. ROY JENKINS, president of the European Commission, is making a personal appeal to President Giscard d'Estaing in an attempt to get France to obey the rulings of the European Court of Justice on the lamb issue. Mr. Jenkins' move follows an abortive appeal by Chancellor Helmut Schmidt of West Germany during his talks with the French President earlier this month.

A secret letter to M. Giscard was being drafted by Mr. Jenkins' aides here yesterday after his fellow Commissioners had decided on Wednesday to postpone further legal action against illegal French curbs on British lamb imports.

The Commission had been expected, on the basis of public assurances from Mr. Finn Olav Gundelach, the Farm Commissioner, to seek an interim injunction from the court against France.

Following a discussion of the issue by the British Cabinet yesterday, Mr. Peter Walker, the UK Agriculture Minister, said he was "very surprised and disappointed" to learn of the Commission's decision to postpone legal action, particularly in the light of personal assurances he had received from Mr. Gundelach on Monday.

He said the Commission's action contrasted sharply with its promptness in taking out an interim injunction against British pigmeat subsidies in January 1977.

● Mr. Jenkins: support for the Court

Reduced economic growth forecast for Ireland

BY STEWART DALBY IN DUBLIN

IRELAND'S ECONOMY could grow by 2 per cent this year while Britain will probably experience nil growth, according to the quarterly bulletin of the Economic and Social Research Institute in Dublin.

The 2 per cent figure, however, represents a slow-down from 1979 when the economy grew by 2.7 per cent. The fall in growth will arise, the ESRI says, from deflationary measures expected in next week's budget, combined with comparatively smaller export sales to Britain because of the sluggish economy there. Some 46 per cent of Irish exports still go to Britain despite considerable diversification in recent years.

The deflation, which the Irish Government has already hinted is on the way, is necessary to reduce both Ireland's enormous balance of payments deficit and its large public sector borrowing requirement, the ESRI believes. Unless the balance of payments deficit, which in 1979 was I£ 760m, (£704m sterling) is reduced reserves will become severely rundown.

Equally the ESRI believes the Government is over borrowed. It feels that the public sector borrowing requirement must be reduced to between I£ 800m and I£ 1bn. Assuming that the figure is I£900m a borrowing rate of around 11 per cent is likely, on the basis that the GNP will be I£ 8.3bn by the end of this year.

EUROPEAN OPTIONS EXCHANGE

Series	April Vol.	April Last	July Vol.	July Last	Oct. Vol.	Oct. Last	Stock
ABN C F.300	—	—	5	9	5	11	F.eaa
ABN C F.310	—	—	1	4.50	—	—	"
ABN C F.320	—	—	4	2.50	—	—	"
AKZ C F.22.50	80	3.70	80	4	—	—	F.25.40
AKZ C F.25	44	1.60	1e	a	—	—	"
AKZ C F.27.50	20	0.70	57	0.e0	e	1.50	"
AKZ C F.30	10	0.20	—	—	—	—	"
HEI C F.75	50	1	1	2.70	1	5.80	F.67.50
HEI P F.65	—	—	5	2.50	—	—	"
KLM C F.70	52	5.80	—	—	—	—	F.52.50
KLM C F.80	41	1.10	5	a.e0	—	—	"
KLM C F.90	10	0.20	—	—	—	—	"
KLM P F.60	175	1.30	1e	2.60	—	—	"
KLM P F.70	37	4.50	—	—	—	—	"
KLM P F.80	—	—	a0	1a	—	—	"
NN C F.11a	e	1.a0	aa	a	1	4.80	F.11a.20
NN C F.1e0	se	0.80	a	a	5	e.60	"
NN P F.115	2	5.70	—	—	—	—	"
PET C Fr.5500	2	ee5	—	—	—	—	Fr.6150
PET C Fr.6000	—	—	5	560	—	—	"
PET C Fr.6500	—	—	—	—	1	5C0	"
PHI C F.20	10	1	143	1.50	5	1.80	F.19.90
PHI C F.22.50	—	—	50	0.50	15	0.80	"
PHI P F.20	—	—	—	—	3	1.10	"
PHI P Fr.22.50	4	2.60	2	3	—	—	"
RO C F.140	16	32	a	32.50	—	—	F.170.40
RO C F.145	20	27	—	—	a	30	"
RO C F.150	13a	22	17	24	—	—	"
RO C F.160	42a	14.50	172	15.50	60	17	"
RO C F.170	7a4	8.40	507	10.10	47	11	"
RO P F.150	141	0.70	20	2.40	47	4	"
RO P F.160	aa	2.20	47	4.70	—	—	"
RO P F.170	68	6.90	—	—	4	12	"
UNI C F.110	20	10.50	—	—	—	—	F.118.70
UNI C F.11e	24	6.20	10	7.50	—	—	"
UNI C F.120	1e	3	—	—	—	—	"
UNI C F.125	48	1.10	1	5	—	—	"
UNI C F.1a0	7	0.40	—	—	—	—	"
UNI P F.110	—	—	1	1.50	—	—	"
XON C $a5	a	11⅛	—	—	—	—	$64⅛
XON C a70	20	1⅞	—	—	—	—	"
	May		Aug.		Nov.		
BA C $60	5	5¼	—	—	—	—	$63¼
BA C $70	23	¾	—	—	—	—	"
BAS C DM.140	1	1a	—	—	—	—	DM146.70
MMW C DM.120	1	17	1	18.50	1	19	DM135
MMW C DM.130	1	a	1	10	—	—	"
MMW C DM.140	—	—	1	4	1	7	"
OXY C $aa	40	7½	—	—	—	—	$31¼
SLB C $110	a	1a½	—	—	—	—	$120
SLB C $1a0	a	a	—	—	—	—	"
	March		June		Sept.		
GM C $50	—	—	4	4¼	—	—	$50¼

TOTAL VOLUME IN CONTRACTS 5e74

C=Call P=Put

Bankers group backs substitution account

BY DAVID MARSH

STRONG SUPPORT for an international substitution account to stabilise exchange rates and reduce the reserve currency role of the U.S. dollar has been given by the Group of 30, a New York-based study group of bankers and economists supported by the Rockefeller Foundation.

The account, as presently being discussed by the International Monetary Fund, will allow central banks to exchange part of their dollar holdings for Fund-issued assets denominated in the IMF's multiple currency unit, the Special Drawing Right. The scheme will be one of the main items on the agenda at the Hamburg meeting in April of Finance Ministers making up the IMF's interim committee.

A report published today by the Group of 30 says that agreement on the account would mark an important step forward in the evolution of the international monetary system. The group drawing up the report was chaired by Dr. Johannes Witteveen, former managing director of the IMF, and included among its members Mr. Christopher McMahon, executive director of the Bank of England and Mr. I. G. Patel, Governor of the Reserve Bank of India.

"Failure to reach such an agreement would risk adding to the volatility of exchange rates and the instability of current international monetary arrangements."

Reserve problem

The report says there is a serious reserve asset problem in today's international monetary arrangements. Many central banks around the world are tending to diversify the composition of their reserves away from the dollar. This has been leading to the development of a "multi-currency reserve system," which would be inherently unstable as shifts in central banks' currency preferences could disrupt foreign exchange markets.

A substitution account would not only help promote the use of the SDR as a reserve asset but would also offer an alternative to further diversification and contribute to an orderly reduction in the dollar's reserve role.

The SDR account would need to total eventually some SDR 50bn ($65bn) in order to make an effective contribution to deflecting diversification pressure from the dollar. This compares with a figure of around $20bn currently being put forward by the IMF as a suitable starting-up total.

The report says it is unlikely that the dollar can continue indefinitely to provide some 80 per cent of the world's foreign exchange reserves.

Since 1973 central banks have moved out of sterling into Deutsche Marks and other non-dollar currencies. But there has been no net diversification out of the dollar. The move away from the U.S. currency by the smaller industrialised countries and developing nations has been offset by dollar accumulation by the larger European countries and Japan resulting from foreign exchange market intervention.

However, general currency diversification is expected to continue. The improvement in the U.S. current account over the last year is unlikely to reverse the trend. This is for several reasons, including the changing composition of world trade, growing sophistication of foreign exchange management by central banks, and the increasing importance of international lending in non-dollar currencies.

The need for the substitution account is made more urgent by the prospect that oil exporting countries will run large current account surpluses.

Move away

Because the move away from the dollar is likely to continue for several years, the report urges that central banks should co-operate in providing channels for non-disruptive diversification during the time in which the account was being set up.

Among its recommendations for the success of the account, the report says that wide participation—from dollar holders in both the industrialised countries and the developing world—is essential, but it should be on a voluntary basis.

The scheme should be market-orientated, providing incentives for private-sector institutions as well as central banks to hold, and develop markets in SDR-denominated claims.

For this reason, the claims or certificates to be issued by the account should be sufficiently attractive with interest to be paid on a weighted average of short-term rates prevailing in the major financial markets.

The account would be run on a permanent basis and the SDR claim should be of indefinite maturity. Claims should be freely transferable both between official participants, by mutual agreement, and between official and private holders.

The inclusion of the private sector in the account would enhance the liquidity of the claims, and open the way to the eventual private use of SDRs proper (which cannot be held privately at present). However, private holders of dollars should not be permitted, at least initially, to deposit them with the account, as this would unduly complicate its administration.

Moscow plays waiting game on Yugoslavia

BY OUR MOSCOW CORRESPONDENT

THE SOVIET Press has treated the illness of Yugoslavia's President Josip Broz Tito with the utmost caution and observers believe that, if he dies in the near future, Moscow is unlikely to try overtly to discomfort the weakened Yugoslav régime.

Newspapers have restricted themselves to brief factual reports, quoting the Tanjug news agency, on the state of President Tito's health, and all polemics with Yugoslavia on issues such as the Soviet invasion of Afghanistan have been dropped.

The Soviet news agency Tass reacted angrily to Western Press speculation about Moscow's intentions, dismissing them as "fantastic concoctions" and "crude, provocative and false." But the Tass report was intended for foreign consumption and was not printed in newspapers in the USSR.

Soviet, Western and Yugoslav experts all believe the restraint reflected in Moscow's present behaviour is likely to continue if President Tito dies. Speculation about a possible attack on Yugoslavia is considered to be entirely unrealistic because it would summon an anti-Soviet reaction far more severe than the outcry over the invasion of Afghanistan, also because the attack might not succeed.

It is expected that Moscow's strategy in the post-Tito era will be to tie Yugoslavia more closely to the Soviet economy through credits and trade. Yugoslavia pays OPEC prices for Russian oil, which has pushed Yugoslavia into deficit with the Soviet Union in recent years, despite its traditional trade surpluses.

Yugoslavia now has observer status in Comecon, the East Bloc economic grouping, and members pay protected prices for Soviet oil which might be available to Yugoslavia too were it to strengthen its economic ties to the Soviet Bloc.

Yugoslavia is confident that negotiations begun yesterday in Brussels on a new economic agreement with the EEC will be successful, write Alexsandar Lebl in Belgrade.

Officials believe that since the Soviet intervention in Afghanistan and the implied danger to Yugoslavia following President Tito's illness the goodwill of the EEC negotiators has improved markedly, and it is hoped in Belgrade that an agreement could be signed before the end of this month.

The Soviet Union may be assumed to have a long-term interest in re-asserting control over both Yugoslavia and Albania, whose anti-Soviet tirades are, if anything, more violent than those of the Chinese. But there is no urgency about this goal, particularly since Yugoslavia has the ability to defend itself.

Moscow is expected to watch cautiously for developments in the internal Yugoslav political situation and avoid doing anything that might help unify the country in opposing Soviet expansionism. In the event of civil strife within Yugoslavia, Moscow would probably work secretly to strengthen any pro-Soviet groups.

Yugoslavia sold 41 per cent of its exports to the Comecon bloc last year while 42 per cent went to the industrialised West. USSR imports of Yugoslav industrial goods increased fourfold in 1976-80, compared with the previous five-year period, and Yugoslavia remains heavily dependent on the Soviet Union for oil and natural gas.

The potential danger to Yugoslavia's political freedom of action which this economic dependence could present has lent special urgency to the talks between Yugoslavia and the European Community on an economic co-operation agreement, which may be signed soon.

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FOOD PRICE MOVEMENTS

	February 21 £	Week ago £	Month ago £
BACON†			
Danish A.1 per ton ...	1,230	1,230	1,270
British A.1 per ton ...	1,180	1,180	1,220
Ulster A.1 per ton	1,180	1,180	1,320
BUTTER†			
NZ per 10 kg	14.80/14.97	14.80/14.97	14.20/14.37
English per 10 kg	18.57	18.57	18.57
Danish salted per 10 kg	19.18	19.18	19.18
CHEESE‡			
English cheddar	1,545	1,560/1,611	1,505
Irish cheddar	1,526.11	1,535.95	1,526.11
Danish cheddar	1,420	1,455	1,395
EGGS*			
Home produced:			
Size 4	4.30/4.50	4.40/4.60	4.70/4.90
Size 2	4.70/4.85	4.65/4.85	5.00/5.10
	February 21 p	**Week ago p**	**Month ago p**
BEEF			
Scottish killed sides ex-KKCF	64.0/68.0	64.0/68.0	63.0/67.0
Eire forequarters	46.0/49.0	47.0/50.0	46.0/49.0
LAMB			
English	50.0/64.0	50.0/58.0	46.0/56.0
NZ PLs/PMs	51.5/54.0	51.0/53.5	49.0/51.0
PORK			
All weights	36.0/49.0	36.0/49.0	36.0/50.0
POULTRY			
Oven-ready chickens...	39.0/48.0	38.0/48.0	37.0/46.0

* London Egg Exchange price per 120 eggs. † Delivered. ‡ 20-kg rindless blocks delivered, per tonne.

Syria allocates 55% of Budget for defence

BY OUR CAIRO CORRESPONDENT

WHENEVER SYRIA feels threatened, or, as in the early years of the 1970s, plans to launch a war to recover its Israeli-occupied territory, these attitudes tend to be reflected in the composition of its annual budget.

Hence Wednesday's announcement by Dr. Hamdi Saqqa, the Finance Minister, to the People's Council that, in Syria's biggest-ever budget, for 1980, some 55 per cent of the estimated \$7bn (£3.1bn) allocations will go to the military and internal security forces. This compares, according to the London-based International Institute for Strategic Studies, with 24.1 per cent in 1978 and 35.6 per cent last year.

This year's further and substantial rise is directly related to the peace treaty between Egypt and Israel, and the anxieties Syria feels over Lebanon, where it has at least 26,000 peace-keeping troops.

Since President Anwar Sadat's visit to Jerusalem in November 1977 and the subsequent peace treaty, Syria has felt, militarily, acutely vulnerable on its southern front, and admits it could not hope to win an all-out confrontation with Israel.

This does not mean that for national and pan-Arab reasons it does not wish to maintain as effective a deterrent force as possible. *The resolutions of the* 1978 Baghdad Arab summit in particular were specifically designed to help Syria bolster its military credibility.

Under the terms of the Baghdad agreements, Syria was due to receive annual payments for the next five years of about \$1.8bn. So far as can be assessed, about \$1.4bn was paid last year, and the first tranches of the 1980 financial year have begun arriving.

Nearly all this money has been channelled directly into military spending and accounted for almost all the increase in the 1979 Budget.

Because of initial difficulties in negotiations with the Soviet Union over the pace and quality of arms deliveries, it is understood that a significant proportion of the 1979 allocations were not disbursed.

This could help to account for the greater increase in the 1980 Budget. Even before the Soviet invasion of Afghanistan, Moscow and Damascus had sorted out part of their disagreement which stemmed from the Syrian desire for more sophisticated weapons, paraticularly the T-72 tank and MiG-25 and MiG-27 fighter interceptors.

Syria is already understood to have received about 120 of the T-72 tanks and about two squadrons of the MiG-25s.

Syria tends to over-emphasise the burden of maintaining its troops in Lebanon, but this operation does represent some extra charge to the military budget.

Troops deployed there receive additional payments this year, the Government must also meet the cost of significant pay rises decreed earlier for its armed forces, estimated at 230,000.

The Syrian decision to pull back from Beirut would make no difference to military spending, and has to be viewed in solely political terms.

Jordan plans to soak up liquidity

AMMAN—Jordan is formulating a strict monetary policy to soak up domestic liquidity, Sherif Abdel-Hamid Sharaf, the Prime Minister, told a Press conference yesterday.

The Government's efforts to curb inflation, running officially at 12 per cent, have so far been frustrated by world oil price rises which led to domestic fuel price increases of over 30 per cent in some cases.

Economic growth and social development in Jordan are creating exaggerated expectations among the public, with aspirations greater than the country's resources, the Prime Minister said.

He added that oil exploration was about to be renewed following encouraging signs from seismic surveys carried out last year. Four experimental wells would be drilled in the South of the country.

Reuter

Simon Henderson, *in Tehran, examines the rivalry behind the differing pronouncements from Iran*

Bani-Sadr and the war for Khomeini's ear

CONTINUING domestic political rivalry appears to be the principal cause of the differing statements coming out of Tehran in connection with the UN-sponsored commission of inquiry into the regime of the former Shah of Iran.

Ayatollah Khomeini's broadcast appeal to Iranians on Wednesday to continue demanding the former Shah's extradition for trial in Iran appeared to threaten President Bani-Sadr's plans to solve the crisis over the 50 hostages held at the US embassy in Tehran.

Certainly diplomats in the Iranian capital believe that President Bani-Sadr is now under considerable pressure, despite the strong position he established by winning 75 per cent of the poll in the Presidential election three weeks ago, and despite having reinforced his authority earlier this week by taking over as Commander-in-Chief of the armed forces from Ayatollah Khomeini.

Iran's internal political debate is rarely open and hardly ever clear-cut. But the basic challenge to Mr. Bani-Sadr is thought to come from three leading clergymen sitting on the ruling Revolutionary Council. These men risk being politically eclipsed completely if the President's strength is confirmed in elections for a general assembly. But the polls are still three weeks away.

The three are Ayatollah Mohammed Beheshti, secretary of the Council, Hojatuleslam Ali Khameneyi, the Council's representative in the Ministry of Defence, and Hojatuleslam Ali Akhbar Rafsanjani, the Council's representative in the Interior Ministry.

Together they represent the basic leadership of the Islamic Republican party. This was thought to be the political party of the clergy until Mr. Bani-Sadr's presidential victory showed it had neither the organisation nor the suitable candidates. The party's man withdrew when it was shown he had an Afghan parent and was therefore not a true Iranian.

A couple of months ago these three clergymen were thought to be assured of political power through elevation to the "Guardian Council" to act as watchdogs of the constitution. But Ayatollah Khomeini this week appointed six other men, all senior clerics free of political involvement.

"In fighting for their political lives, these men are having to make use of whatever weapons they can," one diplomat said yesterday in Tehran. "The weapon available to them at the moment is the hostage crisis."

This interpretation is one of the very few to make any sense of the confusing series of Iranian statements on the crisis in the past week. President Bani-Sadr has held out the possibility of the hostages' release if the U.S. apologises for past interference in Iran's internal affairs. But other members of the Council have continued to link the hostages firmly with the return of the Shah.

Until two days ago Mr. Bani-Sadr was able to argue that he had Ayatollah Khomeini's approval for this plans. But then the ailing leader's message late on Wednesday night dampened hopes. His reference in that message to "our dear young people" was seen as backing for the militant students holding the hostages.

The role being played by Ayatollah Khomeini remains crucial, even though he has handed over some authority by relinquishing the post of Commander-in-Chief of the armed forces and of the Guardian Council.

Only insiders know the true state of health of the 79-year-old leader as he fights to recover from heart trouble in a Tehran hospital. How closely he is following political developments can only be guessed.

Mr. Bani-Sadr saw the Ayatollah for 20 minutes last week and Dr. Beheshti and some of his colleagues saw him for 30 minutes this week. The President said he won approval for his plans. Dr. Beheshti apparently failed to secure any political future for himself. Cynics call the whole process a "war of Khomeini's ear."

Mr. Bani-Sadr is still thought likely to emerge supreme. His Unity Congress grouping is expected to sweep the March 14 assembly polls. But the delay in the election, which was originally scheduled for a week earlier, was seen as a minor tactical victory for his rivals.

The President's strength is that he is both respected as an honest politician and surrounded by a group of bright young assistants aware of the political challenges and cunning enough to outflank them. But until the domestic political battle is decided, progress on the hostage issue looks unlikely. Even if Iranians are becoming bored with the hostages problem, it would still be difficult for them to accept the loss of face involved in failure to secure the Shah's return. That is the present challenge—as it always was.

Ayatollah Khomeini (left) and President Bani-Sadr who claims the religious leader's approval for his plans.

Egypt near signing \$650m IMF agreement

BY ROGER MATTHEWS IN CAIRO

EGYPT AND the International Monetary Fund have initialled a new three-year agreement thought to be worth about \$650m-\$700m (£289m-£311m). The broad lines of the extended fund facility were negotiated in Cairo over the past 10 days. The remaining detailed work is likely to be completed in time for formal signing in March.

Neither side has yet made an official announcement, reflecting IMF caution and perhaps some Egyptian disappointment at failing to extract the \$1.1bn it had publicly predicted.

This failure is largely because the turnaround in the Egyptian balance of payments during the past two years, due to buoyancy of oil prices, workers' remittances from abroad, tourism, Suez Canal earnings and aid flows, could not justify a larger sum.

But to be on the verge of clinching an IMF agreement is a remarkable achievement for Egypt and gives the Government its much-sought-after seal of international approval for its economic policies.

It also indicates that the IMF is convinced that Egypt intends to come to grips with its main deep-seated problems, particularly the Budget deficit and the distortions caused by heavy subsidies on a wide range of staple commodities.

The subsidies are acutely sensitive politically, since the attempt in January 1977 to reduce them led to three days of serious rioting.

Egypt baulked at some of its commitments in the last IMF agreement for \$730m, which was aborted only four months after it was signed in the summer of 1978. This time, the conditions set down in the letter of intent may be more flexible or the IMF is more confident that they will be adhered to.

Europe's support for PLO angers Israel

BY DAVID LENNON IN TEL AVIV

ISRAEL is worried about growing support within Europe for the Palestinian cause.

A meeting of the 15 Israeli ambassadors to European capitals was held in London yesterday to discuss ways of combating what is seen in Jerusalem as European moves towards *recognition of the* Palestinian Liberation Organisation.

Israeli anger is currently directed towards the British Foreign Office because of its proposal to amend United Nations resolution 242 to give recognition to Palestinian national rights and to bring the PLO into the Middle East peace negotiations.

Professor Yigael Yadin, the Deputy Prime Minister, said Israel was annoyed that friends like Britain were taking the initiative to change resolution 242.

Israeli anger has not been restricted to verbal broadsides, although Mr. Menahem Begin, the Prime Minister, is reported to have berated the British ambassador in Tel Aviv. It has also been given concrete form by Israel's refusal to hold the next round of ministerial talks on Palestinian autonomy in London.

Although Israel was not surprised by French support for the British moves, it was deeply disturbed by a joint Irish-Bahrain declaration favouring an independent Palestinian state and recognising the PLO. Equally worrying were reports of West German arms sales to various Arab states.

S. Africa goes ahead with power link for Namibia

BY QUENTIN PEEL IN JOHANNESBURG

SOUTH AFRICA last night announced the go-ahead for a power line to link Namibia (South-West Africa) with the South African electricity grid.

A decision on the line has been awaiting Cabinet approval for many months, because of uncertainty over the future of the territory and the status of the Ruacana hydro-electric power scheme on the Angolan border.

The decision to go ahead with its construction, at a cost estimated at some R50m (£28m), suggests that the South African Government does not expect any early resolution of the stalemate with Angola which prevents Ruacana from being used outside the rainy season.

The line will run 500 miles from Aggenels in the northern Cape via Keetmanshoep to Windhoek. It will have a capacity of 100-120 MW.

Announcing the decision yesterday, Dr. Schalk van der Merwe, the South African Minister of Industry, said that power generation capacity in the territory was very stretched as long as the Ruacana scheme could not be fully utilised. A shortage of power would seriously hamper the territory's economy, and particularly the mining industry, including Rio Tinto's Rossing uranium mine.

The future of the territory is still under discussion between South Africa and the United Nations and approval of the power line will obviously increase the dependence of Namibia on South Africa.

The 240 MW Ruacana scheme, which could have supplied all Namibia's power needs, cannot operate outside the rainy season because the Calueque dam in Angola has never been completed.

● The South African Defence Force announced yesterday that a further 18 guerrillas belonging to the South-west Africa Peoples Organisation (SWAPO) had been killed during the past week bringing the total casualty figure for SWAPO guerrillas in February to 95.

REPUBLICANS IN NEW HAMPSHIRE

Knives out behind the facade of GOP togetherness

BY JUREK MARTIN IN MANCHESTER, NEW HAMPSHIRE

THE First Commandment of the Republican Party so far in 1980 is that no candidote shall not speak ill of another—at least not wben all are gathered together in the same place.

Thus lt was, on Wednesday night at Manchester Central High School, that all seven cast stones at Presidsnt Jimmy Carter, the Soviet Union and big government everywbere, wbile never even implying that anybody else sharing the platform waa other than a fine upatanding gentleman, more than capable of diacbarging the duties of the Presidency with honour.

The harmony, of course, ia artificial. When they are out stomping on thelr own, reticence is lesa evident. Mr. Ronald Reagan's New Hampahire campaign, with the sometimes unwantad assistance of the daily vitriol spewed out by the Manchester Union Leader newspaper, is not slow to suggest that Mr. George Bush ia a closet silk-stockiog liberal, a tool of the internationalist minded, Rockefeller-dominaled Eaatern establiahment.

Senator Howard Baker, from bis perspective in the middle of the party, is prone to inslnuate that Mr. Buah is just an ideological clooe of Mr. Reagan witb a dreadful electoral record.

And Mr. Busb's heavily advertised daily three-mile runs ara undertaken not simply to enhance bis fitness but to contrast bis vigour with the imagined near-dotage creeping up on the 69-year-old former Governor of California.

It is generally assumed that, witb the nation'a first Presidential primary less tban a week off, the Republican wheat bas already heen sorted from the chaff. In the former field stand Mr. Bush, Mr. Reagan and perhaps Mr. Baker; in the latter Mr. John Connally, Mr. John Andarson, Mr. Philip Crane and Mr. Robert Dole.

But it is also accepted that some puff of wind could miraculously transport one of the bottom four into more fertile pastures. If not here in New Hampshire then, provided the campaign money holds out, somewhere else later along the primary line. In any case the performance of the bottom four can take valuable votes away from the front-runners.

Without a shadow of doubt, the whole campaign would he enlivened in cootent and elevaled in tone if such a traosformation were to visit Mr. Anderson. The 20-year Congressman from Illinois, while maned and full of voice, bas nothing to lose by standing out clearly from the pack. It is not merely that be is much more liberal tban bis rivals, hut also that he is unafraid to take controversial positions which more than justify the theme of bis radio and TV commercials — "Consider the Anderson difference."

Different he is. In the farm state of Iowa he supported the partial grains emhargo against the Soviet Union. Here in New Hampshire, where hunting is a favourita pastime, be speaks out for gun control, statea unequivocally hia belief in a woman's right to choose ahortion, and declares flatly that it is impossible simultaneously to balance the hudget and emhark on major defence apending. He incessantly plugs away with his proposal that the U.S. enacts a 50-cents-a-gallon tax oo petrol, using the proceeds to restore financial viability to the battered social security system.

No other candidate is so direct, perhaps because they all know the pitfalla that normally come with apecificity. Mr. Crane, it must be said, does not pull his conservative punches either.

Connally muted

Once viewed as a stalking horse for Mr. Reagan, the lantern-jawed young Congressman's eyes flasb and his big teeth gleam as he enunciates the creed of the true believera —back to the gold standard, stop printing money, cut government down to size, and maintain world peace "by preparing for war." It is a fair bet that Mr. Crane will get his share of the votes.

Mr. Connally, bowever, seems a abadow of his former self. The onca bombastic Treasury Secretary is quite muted and now appears merely to be clinging to the hope that in some later southern primary closer to his Texan bome he can do better. Senator Dole by now is just playing out the string, surviving publicly on his notorious, sometimes ahrasive, senae of bumour.

The real focus here is on Mr. Bush and Mr. Reagan. Neither put a foot particularly wrong in Wednesday nigbt's forum, which prohably helped Mr. Bush a little now that be has become the favourite. It ia remarkable bow faithfully Mr. Bush is following the trail hlazed by Governor Jimmy Carter four years ago botb in the tactic of running everywbere and relying on good organisation and in his puhlic demeanour.

While candidate Carter preached that he would never tell a lie and that Governmeot should reflect tbe Inherent goodness of tha American people, candidate Busb proclaims bis optimism ahout America with the line: "Together there's nothing we can't solve."

While candidate Carter flashed bis famous grin, candidate Busb clencbes his lean jaw, punches the alr with bis fist, mists his eyes and goes into overdrive. Mis commercials here feature a lot of patriotic hackground mnsic. Perhaps over-inspired by this, he was a bit carried away recently wben he said ha thought a nuclear war was "winnable." Bnt otherwise Mr. Busb Is following the Carter model of being all things to all people for as long as possible—he does not say mucb that Is memorable, but he says It wlth feeliog.

As hefits a professional actor, Mr. Reagan is also pretty good at "the glazed look, catch-in-the-voice wben talking about America" approacb. On Wednesday night be sald ba thought some "divine plan" bad placed the U.S. of America on tha earth.

But the success of Mr. Busb has bad the effect of persuading Mr. Reagan to campaign more and of shoving him back to the conservative camp, from wbose confines, under the tutelage of his campaign manager, Mr. John Sears, ba was trying to escape. Now he wants an American blockade of Cuba as part of a grand strategy for the 1980s designed "to toucb the soft spots" of tha Soviet Union.

Repnhlican front-runners George Bush, Ronald Reagan and Howard Baker . . . the harmony is artificial

Obvious course

Mr. Baker's assets are less graphically evident. He is a amall man wbo speaks in long, grammatically correct sentences. He wants, as be puts it, to "civilise" politics. His initial error—it may turn out to have been a fatal miscalculation—was to helieve he could run for President from the national vantage point of the Congress, in whicb he is Senate minority leader, only to find out that to be associated with Congress tbese days is not a popular profession.

Mr. Baker is clearly intelligent, knowledgeable and, nn most matters, fairly moderate. But be bas a lot of catching up to do, and be knows it.

In the meantime, the safest course for all is to attack the obvious — President Carter's record—while at the same time trying to build an individual identity in the public eya. So far this bas been a civilised, gentlemanly business. But after the New Hampshire votes are counted next Tuesday, and the field is genuinely narrowed, the survivors cannot be expected to be so reticent.

'Windfall' proceeds may fund tax cuts

By David Buchan in Washington

PRESSURE FOR a general tax cut in this election year is clearly building up on Capitol Hill, with Congressmen and Senators pusbing for something to sweeten the mood of the voters they will face in November.

House and Senate negotiators, finishing work on the controversial "windfall oil profits" tax which President Jimmy Carter proposed last April, decided this week to earmark 60 per cent of the $227bn tax for possible use in financing income or corporation tax reductions.

The decision, which also allotted 25 per rent of the tax's proceeds to helping the poorer pay higher energy hills and 15 per cent to financing energy conservation and davelopmeot programmes, is not binding, in the sense that Congress wonld bave to pass further legislation at a later date to actually pay out the money.

Bnt Carter Administration officials have expressed conrern at Congress'a statement of intent. The President bas explicitly warned against general tax relief et the moment, depite his economists' orediction of a downturn in the economy this year, lest it further fuel inflation. This week, Mr. Paul Volcker, chairman of the Federal Reserve Board, strongly supported this position.

Most of the prolonged disputes, first between the Administration and the Congress and now between the two branches of the legislature, has heen on how to raise the tax, not how to spend it's proceeds.

This has now heen largely achieved, with a compromise total of $227m for the total tax, which the Administration bas pronounced acceptable, with only a few loose ends, such as wbether the tax should be retroactive to January 1, 1980, still to be tied np.

The Carter Administration proposed the tax to take some of the "windfall" profits of the oil companies from decontrolling domestic oil prices and use them to finance conservation, better public transport and to underpin the developmeot of synthetic oil and gas.

While both the Administration and the U.S. oil industry are withholding public criticism until the Senate and House negotiators finalise the tax bill, neither is heppy that only 15 per cent of the tax proceeds bas been earmarked for energy development.

This works out at only $34.1bn, compared to the $88bn synthetic fuel programme which the Carter Administration wants to get uoder way.

UK deficit with USSR widens as imports rise

BY DAVID SATTER IN MOSCOW

BRITISH IMPORTS from the Soviet Unlon increased 20 per cent last year to £828.9m, largely on tba strength of higber prices for Soviet raw materials. The result was e further worsening of the chronic British deficit in Soviet trade to £410m from £265m in 1978.

Figures released by the Britisb Embassy showed that Soviet exports to tbe UK—mostly items such as oil, timber, furs and industrial diamonds—totalled £828.9m in 1979, a 20 per cent increase over the value of Soviet exports in 1978 wbich was £688.2m.

The value of Britisb exports, however, declined slightly, in spite of the effects of inflation and the presence ln the figures of a large value for uranium routed through the UK for enrichment in the Soviet Union.

British exports, which are mostly mannfactured goods, were worth £419m, e 1 per cent drop from the 1978 total of £423.1m. Overall trade increased 12 per cent to a value of £1.3bn last year compared with £1.1bn in 1978.

Soviet exports were huoyed by higher prires for Soviet oil and timber and increased deliveries of timber. Bnt British exports to the Soviet Union continned to lag behind those of other Western competitors and British commercoal sources said they did not see any major contracts on the horizon for British companles this year, the last of the present five-year plan.

The £950m five-year Anglo-Soviet export credit expired with only a little more than £550m being utilised, and the only major contracts in the last 18 months have been a £50m deal signed hy Davy International for construction of an Alphe-Olefins plant at Nizhnekamsk and e £36m contract signed by Woodall-Duckham for a glass fibre plant near Polotsk.

Reuter reports from Oberhausen: Deutscbe Babcock considers Soviet orders for nuclear power plant equipment as one of the company's safest orders in aplte of the international situation, Herr Hans Ewaldsen, executive board chairman, said.

He also said he regarded any Western attempts to impose a trade embargo on the Soviet Union as the wrong instrument for solving political problems.

Call for Britain to raise quality of goods

BY FRANK GRAY

BRITISH manufacturers will have to improve the quality, marketing and delivery and after-sales performance of their goods if Britain is to improve its share of world export markets. This was the central message of Lord Limerick in the annual report of the Britisb Overseas Trade Board (BOTB) of which he is chairman.

Lord Limerick's statement differed from that of his predecessor, Lord Catherwood, who in last year's BOTB report stressed that the rising value of sterling was the key source of Britain's export ills.

The current BOTB chairman sald that sterling, last winter'a strikes and the engineerlng strike of last autumn as well as the sharp decline in exports to Iran and Nigeria bad hnrt UK exports. But he added: "The main factor affecting export performance and import penetration is our own industrial performance."

"Some modification" would he requlred in the BOTB'a export support servlces this year, in line with Government cost-cutting policies, but the board was still awaiting announcement of firm, long-term decisions.

Its direct expenditures for the fiscal year, to March 31, 1980 are forecast at £28m, of which £16.2m will bave been spent on trada promotion. The Government bas asked it "to find £2m" in outside revenue to offset its own costs over the next year.

Ford to sell trucks to India

By Kenneth Gooding, Motor Industry Correspondent

FORD OF BRITAIN has reached an agreement, worth about £12m a year, to export 3,000 of its D-series, medium-weight trucks annually to India.

This follows the recent easing of restrictions on commercial vehicle imports to India because local manufacturers have had difficulty keeping up with demand.

The Ford vehicles will be shipped in kd (knocked down) form, fur local assembly by Ford agents Simpson and Company of Madras, who will also retail the trucks.

Most of the parts required will be supplied initially from the UK.

A major exceptinn is the six-cylinder diesel engine which will be manufactured in Madras by Simpson under a licensing agreement with Perkins Engines of the UK. And progressively, more locally-manufactured parts will be used.

D-series trucks are currently exported to 16 countries in kd form. In addition to the 18,000 kd nnits shipped each yeer from the Fnrd truck plant et Langley in the UK, some 8,C'0 built-up units are also exported.

● Leyland Kenya is celebrating the productinn of the 10,000th vehicle at its commercial vehicle assembly plant near Nalrobl, which was opened in December, 1976, John Worrsll writes from Nalrobi. At the same time lt is planning extenslons tn the plant to include the assembly nf Mitsublsbi nneton pick-ups, Suzuki four-wheel drive vehicles, and military Land Rnvers, bringing the range nf basic model types assembled frnm six to nine.

Better incentives for exporters urged

BY LISA WOOD

A CALL for the Government to introduce new export incentives in this year's budget has been made hy Mr. Michael Hoffman, chairman of the Perkins Engines Group.

In an open letter to Sir Geoffrey Howe, Cbancellor of the Exchequer, Mr. Hoffman said that the Government's economic policies, comhined with Britain's unlque situation in the world economy, were penalislng the natlon's most successful exporting companies.

He asked the Cbancellor to stimulate exports by provlding more and cheaper export credit guarantees and by introducing an export rebate scheme geared to the sterling exchange rate.

"Britisb exporters today suffer the unique combination of a high inflation rate, inherently low levels of industrial productivity, high interest rates and e strong pound partly caused by UK oil reserves.

"There is no other industrialised country in the world where all these factors occur together," claimed Mr. Hoffman. "The result is that British exports of manufactured goods are hecoming increasingly uncompetitive. Industry supports the general alms of Government economic pollcy but we need time to tackle the fundamental causes of low productivity.

"During this period there must be Governmeot incentives to reward the successful exporters and ensure thet we retain our position in world markets."

Brown declares emergency after California storms

BY STEWART FLEMING IN NEW YORK

WIDESPREAD AREAS of southern Californla and Arizona which have been swept by severe storms and flooding have been designated disaster areas by President Jimmy Carter and California governor, Mr. Jerry Brown.

The worat damage appears to be in southern California, where Governor Brown has declared a state of emergency in four counties surrounding Loa Angeles and placed 18,000 members of the state national guard on standby alert following 16 deaths and damage reckoned to be in excess of $100m.

Most of the damage has heen due to mud alides which bave destroyed over 30 bomes and severely damaged hundreds more. In the past week tbere has been more than 11 inches of rain in the area.

The flooding and mud slides in canyons surrounding Los Angeles bas been only part of the problem, however. Higb winds and beavy seas have pounded ocean-front bomes in Malibu county, adjacent to Los Angeles, and caused extensive damage.

In Arizona, around the city of Phoenix, widespread flooding has undermined roads and bridges and flooded bouses io what is normally an arid part of the country.

Republican in FBI probe quits party

BY OUR WASHINGTON CORRESPONDENT

THE ONLY Republican representative so far implicated in the FBI'a political corruption probe, Mr. Richard Kelly, resigned from the Republican caucus yesterday.

Republican leaders in the *House* of Representatives had earlier unanimously urged their rank and file to expel Mr. Kelly from the Congressional party organisation and to deny him party campaign funds, because be took a $25,000 payment in the probe.

Seven Democrats were also implicated in the scandal but Mr. Kelly was also the only one to admit publicly that he took money from the undercover Government agents. This, be explained, was hecause he was conducting his own investigation of political skulduggery.

The Republican leadership'a recommendation brought an immediate rebuke from the Democratic leader, Mr. Tip O'Neill, the House Speaker, who aaid the Republicans were ignoring due process of law because none of those named in the scandal had been formally cbarged, let alone convictsd.

By taking swift action the House Republican leaders may bope to turn to political edvantage e scandal that involves a disproportionate number of Democrets.

Ford to unveil fault details

WASHINGTON — Ford bas agreed to disclose information about major engina and transmission prohlems and offer soma reimbursement for post-warranty repairs on some 6m vehicles, the U.S. Federal Trade Commission said yesterday.

Tha agreement ls part of a consent agreement settling the FTC'a two-year "piston scuffing" case against Ford.

Ford haa agreed to launcb a campaign involving letters, direct mail and full-page magazine advertisements to alert certain vehicle owners to repair information and possible post-warranty compansation, the FTC said.

Agencies

Mexico traders oppose GATT

BY WILLIAM CHISLETT IN MEXICO CITY

MEXICO's National Manufacturing Cbamber, one of the country's most influential private sector bodies, haa coma out against Mexico joining the General Agreement on Tariffa and Trade (GATT).

Canacintra, as the chamber is called, baa drawn up a study about the marits of joining GATT and believea that Mexico's membership should be put off for 20 years.

This decision could present a serious obstacle to the Government's desire to join GATT. Mexico finished negotiating the terms of its entry last November and bas until May 31 to make up its mind.

Criticism against joining GATT bad died down during the past few months, but now eppears to be starting again.

Sr. Juan Manuel Martinez Gomez, the bead of Canacintra, which groups together most of Mexico's manufacturing companies said thet joining GATT meant "reducing the possibility of heving total independence over national development."

Canacintra does not helieve that Mexico'a industrial base is sufficiently developed yet to greatly boost non-oil exports and withstand the inflow of imports which would result from lowering the country'a protectionist barriers. It ia the first private aector organisation to publicly come out against GATT.

The Government favours GATT membership as part and parcel of lts plen for oil-rich Mexico not to become just an oil exporting country, but to use the oil revenue to develop industry.

MITI mission to explore UK prospects

By John Elliott, Industrial Editor

A DELEGATION of Japanese bankers and industrialists is to visit tbe UK for 10 days next month to explore the possibilities of setting up new investmeot projects.

Led by a representative of the Japanese Ministry of International Trade and Industry (MITI), the delegation will meet Lord Trenchard, Minister nf State fnr Industry, before a tour of Scotland, Wales, the north of England and the Midlands.

Tbey are expected to visit varinus Japanese companies whicb already bave factnries in the UK, as well as seeing nther businesses, including electrnnics establishments.

Befnre arriving in London on March 5, the delegation will viait Eire, a strong competitor with the UK for investment projects.

Competition is specially keen for new electrnnics plants, and Lord Trenchard and hia department's Inward Investment Bureau intends to try to persuade the delegation thet the UK is the right place

Included in the 20 people delegation will he representatives nf the Industrial Bank of Japan, the Bank nf Tokyo, the Long-Term Credit Bank, and industrialists from companies such as Fujitsu and Nippon Electric.

A special correspondent reports from Tokyo on the potential for foreigners in a fast-growing leisure industry

Why Japanese 'sportaholics' are worth a closer look

JAPAN, the EEC Commission noted in a secret memorandum lest spring, is e nation of 115m workabolics living in rabblt butcbes. Some of those who bave followed the habits and tastes of the Japanese from sligbtly closer quarters over the past few years wonder whether "sportaholics" might not bave been a better definition.

It may be true that the Japanese still work longer bours and enjoy fewer holldays than their European counterparts but it is also true that tbe leisure time they do enjoy bas increased steadily in the past few years and it being used to the utmost.

According to Japan's Leisure Development Centre, a semi-governmental organisation, Japanese workers took an avarage of 82 days off in 1977 (including weekends), had increased this to 108.4 days in 1979 and ware expacting to be away from work for between 132 and 155 days in 1985.

Statistics on bow mucb the Japanese spand on thair time off are not quite so up lo date, but the centre estimates the leisure market worth Y5,120bn (about £924m) in 1976, as being worth a prospective Y8,760bn in 1985. Where doea all the money go and does any of it find its way into the pockets of forelgn companiea?

Leaving aside foreign travel expenditure, which is not included in leisure activity (because too much of it is for business) tbere is evidenre that quite a large cbunk of Japanese leisure spending does banefit forelgners. Sports equipment cost the Japanese Y741.3bn in 1978 and e lot of this went towards buying top quality gear thet Western sports enthusiasts might find superfluous.

Tbe Japanese are as serious about sport, if not more so, as about other aspects of life and to be serlous is to he correctly equipped. It is noticeable on golf courses and even on urban golf driving ranges, those typically Japaoese substitutes for tbe real thing, that the most modest performers bave the best U.S. or British mede clubs and the latest gear, complete with all imaginabla gimmicks.

This phenomenon can be observed also at tennis clubs, among the 13m or so anglers wbo occupy every vantags point on accessible parts of Japan's coastline or in the newer minority sports of aailing, mountaineering, akin-diving and surfing.

Japanese bikers tend to dress for e major trek, althougb taking only s gentle Sunday ramble, which preaumably explaina why Britisb exportera of mountaineering equipment chalk up bandsome ordars wbenever they appear at the British Export Markating Centre in Tokyo.

Hiking and trekking however are not the only popular sports which can earn money for foreigners in Japan. Dunlop and Slazenger are brand leaders in a market where 1.9m tennis players buy 2.1m rackets a year (wortb Y8.2bn) of which about 120,000 are lmportad.

The Japanese Ski Association, whose members are lucky anough to be abla to jump on a train in Tokyo and be on a ski slope within a couple of hours, boasts 792,000 aubscribers. Thesa, together with hundreds of thousands of more occasional skiers, spent Y17.2bn last year on 910,000 pairs of skis. More than one-third of this total was imported (with lmports generally costing more than homa produced skis and with France getting the lion's sbare of the business). The situation ls aimilar with ski boots except that here it is the Italian Government which conducts a running battle with Japan over its continued imposition of an import quota on ski boots.

"New" sports in Japan (with 1978 figures for participants in brackets) includs sailing (590,000), surfing (250,000), skin diving (250,000), back packing (200,000) and wind surfing (2,000). Add to that 2m Frisbie users, with a marked preferance for tha "high grade" U.S. product, and 700,000 skate boarders, and one can see that the Japanese are as trendy where sport is concernad as any leisure-addicted Western nation.

To most Japanese the question of what to wear is all important on any leisure occasion. So it is not surprising tbat the market for sportswear had grown from Y14.8bn ln 1965 to Y107.8bn in 1978. By far the greatest part of the demand is for high qnallty branded mercbandise. Goods marketed with the hall-mark of a star performer's name enjoy much success.

After sport, as means of satisfying the leisure aspirations of today's less work-oriented Japanese, come hobbies. Jspan is, of course, strong on traditional hobbies such as flower errangament and the tea ceremony (both mainly of interest to women) hut lt is taking to Western style hobbies with e vengeance.

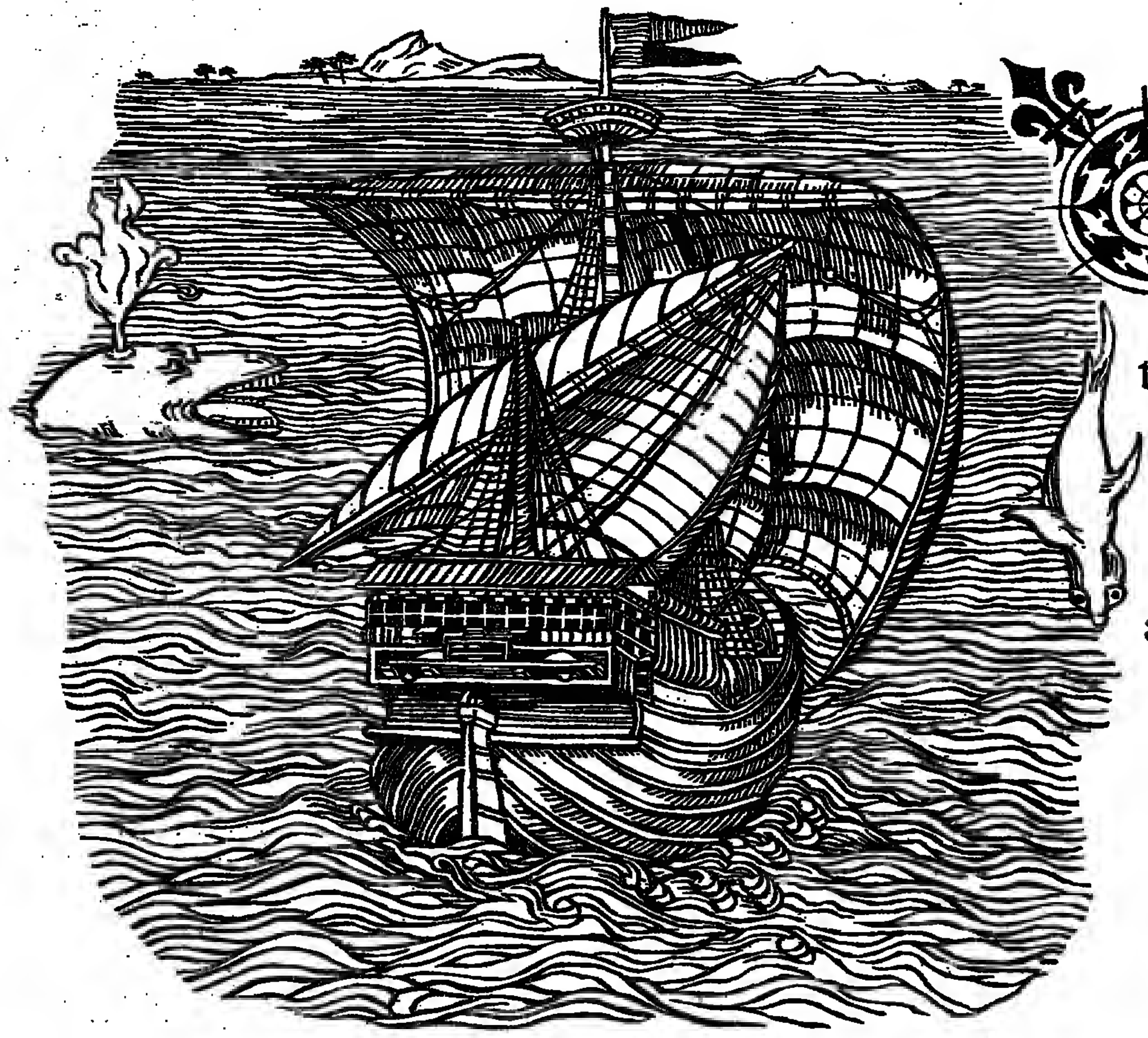
The Leisure Development Centre'a wbite paper reports markets worth Y254bn for musical instruments, and Y207bn for gardening (among medinm-scale Western bobbies), flanked hy the Y69bn pbilately market (at the bottom end of the scale) and the buge Y2,661bn audio market at top.

Japan bas, of course, developed its own very competitive audio and musical instruments industries aa well as the world's largest camere industry to serve a nation of fanetically keen pbotographers. At the top of the eudio market, however, Britisb companies nave found demand for quallty items, and the merits of Ilford's black and white film are known to serious pbotographers.

Finally DIY has come to stay in Japan. The word itself has been absorbed and specialist centres are starting to spring up. It must be kept in mind that Japanese DIY will develop along different lines than the European and U.S. concepts since Japanese living styles are still cramped. Thet does not alter the fact that a DIY market of about Y140bn existed in 1977 with demand expected to reacb Y194bn by 1985. About 5 per cent of DIY equipment is imported wtib good prospects for sucb varied ltems as fillers and sealants, model kits, art materials, wallpapers and needle work materials.

Apart from leisure proper, Japan is fertile territory for fast food chains, tourist hotels and even British-style pubs—all fields in which foreign businesa can and does get involved. The central point, bowever, is that, if today's Jepeneae work hard they also play bard, with results tbat can be very profitable for all coocerned.

A Japanese businessman checks out some of the sports goods Britain has to offer.



In the sixteenth century the Spanish landed in the Philippines.

On April 8th the first of our new scheduled flights to the Philippines will land in Manila.

A journey of nearly 8,000 miles that will take our comfortable, wide-bodied TriStar approximately 16½ hours.

It's a far cry from 1521 when Magellan, during the first round the world voyage, decided to drop in and visit the locals.

Paradise Lost.

Magellan himself didn't last long in the Philippines.

The unfortunate fellow was killed while helping one Filipino group fight another.

But his discovery of the islands led to Spain moving in and setting up shop on a more permanent basis.

The Spaniards loved the place.

Especially the gold and silver they had seen the tribesmen wearing as jewellery.

Talk about gold fever.

They stayed on in the islands for the next 300 years. Right up until 1898 when they were finally given the heave-ho.

Uncle Sam in Paradise.

Spain's hasty exit was the result of a group of Filipinos who by now were tired of the Spanish ruling their roost.

They fought alongside the Americans in the Spanish-American war of 1898, to rid themselves of their unwanted guests.

But the delight of the Filipinos at saying goodbye to the Spaniards soon dissolved when they realized the Americans had taken a fancy to the islands.

And for the next few decades they had to share them with Uncle Sam.

To be fair though, the U.S. did help the Philippines develop into a modern nation.

They not only brought roads, railroads, schools and doctors to the islands. They also gave the people ideas about democracy.

Then, in 1941, right out of the blue, the Japanese called by.

Paradise Regained.

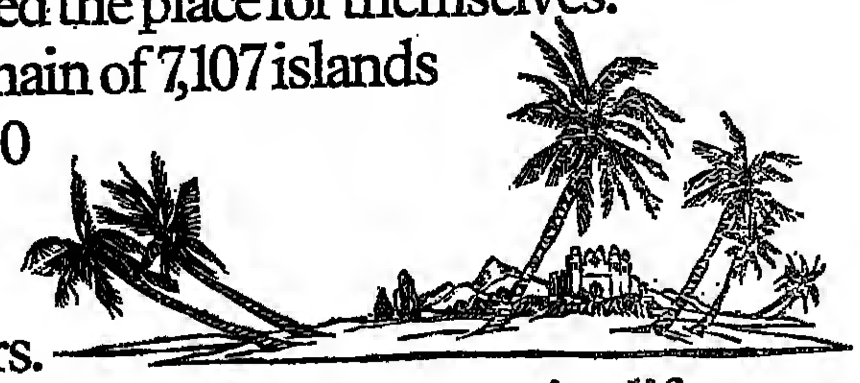
The men of Japan outstayed their welcome for 3 years. Until they were finally persuaded to leave by the Americans.

At last, in 1946, the U.S. gave the Filipinos the one thing they hadn't enjoyed for many a year.

Independence.

Looking at the Philippines today it's no wonder that so many people wanted the place for themselves.

This dazzling chain of 7,107 islands stretches for over 1,000 miles in tropical seas.



And is jam-packed full of wonders.

Old Castilian towns, stunning aquamarine life and a fantastic array of exotic fruits and vegetation.

Not to mention countless sun-drenched beaches. (It's enough to give you a sun tan just thinking about it.)

Known as the 'Last Great Bargain of the Orient' the Philippines is also a delight for people who are weary of V.A.T. and inflation.

Manila, especially, is a treasure-trove of shops selling goods at give-away prices.

All of which is tempting in the extreme.

If you've never been to the Philippines we'd like to show it to you in all its splendour.

If you've been and are going back, be it on business or pleasure, why not be our guests.

After all, if history is anything to go by, we're going to be in the islands for a long time to come.

Now it's our turn.

British airways

We'll take more care of you.

SUBJECT TO GOVERNMENT APPROVAL.

Board mill closure makes 800 idle

BY JOHN LLOYD

THAMES BOARD, the cardboard manufacturing subsidiary of Unilever, is to close one of its two board milla al Purfieel in August, with the loss of 800 jobs.

Production at the South Mill, opened 80 years ago, is largely of corrugated board, which has suffered severe competition from cheaper kraft liner imported from the U.S. and Scandinavia. The mill has been running al a loss for some years.

Production is being consolidated in the North Mill, which employs around 750 people and produces a range of carton boards, for which the market is better.

Discussions have now begun with the major unions, including the Society of Graphical and Allied Trades, the Amalgamated Union of Engineering Workers and the Association of Scientific, Technical and Managerial Staffs.

Mr. John Chowcat, the ASTMS divisional officer, complained yesterday of lack of consultation, and said the union will "strain every nerve" to protect its members.

He said that Unilever was relocating production "in a manner which disregards the tragic consequences for employment in South Essex."

Thames Board has recently made an £83m investment in its plant at Workington, Cumbria, which will triple its output of high-grade duplex board from 50,000 to 150,000 tonnes a year.

The company said yesterday that once a new machine had been installed later this year, some more labour would be required. It is thought some 255 jobs will be created at the plant and a further 350 in the forestry industry as a direct consequence of the expansion.

The Workington plant had a £10.5m investment grant for the project approved by the previous Government, with nearly £20m regional aid.

Statistics slim-down to cut costs, save time

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

ALL THE statistics collected by the Departments of Trade and Industry are being reviewed as a step to reducing both public expenditure and the burden of form-filling, especially for small companies.

This has been disclosed by Mr. Laurie Berman, the director of statistics for the two departments, in their weekly journal, now called British Business.

He says: "One unavoidable aspect of this review is that it will not be possible to give as much weight as previously to the statistical needs of industry. Much of the detailed information useful for industry but often not required by the Government is expensive to collect, and in future it will only be provided when the marginal costs are small."

The Government is reducing its own demands for statistical information from business wherever possible. In some cases information now collected monthly will in future be collected quarterly, some surveys will be slimmed down and others stopped altogether.

The proposed shops inquiry for 1981 has been abandoned. The small quarterly export prospects survey and the annual inquiry into film distributors have been stopped. The short period inquiry into manufacturers' stocks, which was partly monthly and quarterly, has now been put entirely on a quarterly basis.

Mr. Berman says other possible areas of savings are being urgently investigated and other statistical surveys are likely to be reduced in scope or dropped. A major saving in resources will come from restructuring the system of quarterly inquiries into manufacturers' sales conducted by the Business Statistics Office which are relatively expensive to run in manpower terms.

"The proposals is to reduce the number of companies covered in the inquiries by about a third by selectively raising the levels of employment below which companies are exempt from these inquiries. This will lead to some loss of quality and product detail."

The detailed implications are being discussed with a wide range of trade associations.

Capital spending by industry in 1979 shows 4% rise

BY DAVID MARSH

CAPITAL spending by Industry last year increased by 4 per cent on tha year before. Manufacturing investment barely changed while spending in the service and distributive industries was up 8 per cent.

Commenting on yesterday's figures, industry Minister, Lord Trenchard, said it was "surprising and encouraging" that capital investment was holding up fairly well.

Manufacturing investment, however, fell sharply in the fourth quarter reflecting a gloomier economic outlook. For this year, the Industry Department is forecasting a fall in manufacturing spending of 6 to 10 per cent, according to its latest survey of investment intentions.

A downturn in manufacturing activity, in line with the expected recession, was also indicated by the department's figures on fourth quarter stock movements issued yesterday.

Manufacturing stocks fell by a seasonally adjusted £40m at 1975 prices—caused by a reduction in work in progress of about £80m—partly offset by increases of £20m in materials, fuel and finished goods stocks.

The fall was the first quarterly drop since 1976. Manufacturing stocks for the year as a whole rose by £332m against £547m in 1978.

A further feature of the fourth quarter was a large rise in retailing stocks of £181m—double the third quarter rise. This shows retailers are entering 1980 with excessive stocks which might reduce output of consumer goods later this year.

Manufacturing spending in the fourth quarter last year fell 3 per cent compared with the third quarter to £944m at 1975 prices, seasonally adjusted. For the year as a whole, the volume of investment is barely changed from 1978 at an estimated £3.8bn.

However, capital investment in the distributive and service industries, excluding shipping, rose 2 per cent compared with the third quarter to £1.31bn. This took investment by this group of industries to £5.09bn for the whole year—8 per cent up on 1978.

The marked difference in the pattern of spending between the two groups partly reflected the growth of leasing. Capital goods acquired for leasing out are mainly bought by the service industries but are used by manufacturers. This results in an apparent switch in investment to the service industries from the manufacturing sector. Making allowance for assets leased from the service sector, the department estimates that manufacturing investment last year, instead of remaining unchanged from 1978, rose by about 1.3 per cent.

Strikes threat over plan to axe vehicle licensing offices

BY NICK GARNETT

THE GOVERNMENT intends to reduce the number of local Driver and Vehicle Licensing Offices from 81 to 50 with the loss of 1,000 jobs as part of its general cost-cutting exercise.

The Department of Transport said yesterday the proposals were being put to the unions but the Civil and Public Services Association accused the Government of failing to consult or even advise it of the closures.

It warned of probable industrial action in licensing offices and at the licensing centre in Swansea. This action could start with one-day walk-outs from today.

The closure programme is to cover the period up to 1982, with the transfer of work to post offices beginning in June this year.

Already 2,000 post offices handle three quarters of vehicle licence renewals and the intention is to increase the number to 3,000. By October next year post offices will be dealing with the great bulk of renewal reminder work.

For the time being post offices will not handle first registration work, applications for heavy goods vehicle licences and postal applications from the London area.

Mr. Norman Fowler, the Transport Minister, announced in the House of Commons in November that 400 administrative posts in vehicle and driver licensing had already been lost and that savings of a further 1,000 jobs had been identified. The office closures apply to those jobs.

The CPSA said Mr. Fowler had promised to consult the unions but had failed to do so and information about the proposals had simply trickled out.

Some areas particularly Scotland and the north, where there was high unemployment, would be badly affected.

Mr. Peter Thomason, union national officer, said the minister had broken a promise to staff and could not be trusted.

Westland may enter civil market

BY LYNTON McLAIN

WESTLAND HELICOPTERS, a subsidiary of Westland Aircraft and Britain's only military helicopter manufacturer, may enter the civil helicopter market.

Westland Aircraft's board is expected to take a decision soon, perhaps in the next six months. Any move into the civil helicopter market would bring Westland into direct competition with a number of established civil helicopter manufacturers including Sikorsky, Bell, Hughes and Boeing of the U.S., Aerospatiale of France, Agusta of Italy and NBB of West Germany.

An attempt to capture part of the civil market for helicopters would also radically change the nature of aerospace production work at the company's factories.

The civil market demands low cost products produced in high volumes, in contrast to the low volume, high cost of the military helicopters the company has specialised in, to its cost in 1978, when helicopter production lost the company £3.5m.

The loss contributed to an overall loss for Westland Aircraft of £2.85m, and has been attributed largely to uneconomic fixed price contracts with Britain's Defence Ministry for the supply of Lynx helicopters.

The most likely project to launch Westland Aircraft into the civil helicopter market is the WG.30 transport and utility helicopter. This is a privately funded development of the military Lynx and was flown for the first time on April 10 last year, ahead of schedule. Westland Helicopters has so far invested over £10m in its development.

The helicopter is designed primarily for military transport, but is understood to be able to carry between 17 passengers and 22 passengers in the civil role.

Two prototypes have been built and flown. Westland Helicopters has also started work on a production batch of approximately 20 WG30s, although the company has won no orders. The implication is that the company is building for stock, in the hope that it will readily establish itself as able to deliver on time, if and when it enters the civil market. The production models are expected to be available for customers from 1982.

The company is also still working on the WG34 replacement for the Sea King military helicopter, made under licence from the U.S. Sikorsky corporation.

The project definition stage is currently being funded by the Defence Ministry and £10m is expected to have been spent by the time the initial project is finished at the end of April.

Westland Helicopters has had "extensive discussions"—which are still proceeding—with the Augusta Company of Italy for a joint collaboration on the WG34 programme.

Annual meeting, Page 18

Mortgage queue 'almost gone'

BY RAY MAUGHAN

THE CHAIRMAN of Britain's largest building society, the Halifax, said yesterday that the queue for mortgages had virtually disappeared.

Sir Raymond Potter said the north-east and Scotland were exceptions to this trend. He felt it was too early to say whether high interest rates were deterring would be purchases but the society's hopes for an early fall in rates had been deferred.

Sir Raymond said the Halifax expects to increase its lending by around 10 per cent this year. It had advanced £1.82bn in 1979 against lending of £1.65bn in the previous year, and the society has started this year with reasonably strong liquidity of 17.7 per cent, marginally down from the December 1978 level of 18.2 per cent.

The society's assets grew by 17.6 per cent last year to £8.94bn per cent, an increase of more than £4m each working day, and the ratio of withdrawals to receipts was very much in line with the average of the past few years at 70 per cent. The consequent net investment inflow was a record £1.29bn.

The number of new mortgages granted last year fell by 3,300 to 146,400. Lending to first time buyers fell by one point to 46 per cent of the total but borrowers under 25 years old accounted for 25.6 per cent, against 22.8 per cent.

'Yankees' investment potential

By Christine Moir

UK PENSION fund managers should consider investing some of their funds in the U.S. dollar bond market, said Mr. Roger Freeman, London partner of the Kuhn Loeb Lehman Brothers, a major U.S. investing bank.

There could be occasions when the interest differential between UK and U.S. fixed-interest stocks of the same maturity might be worth considering after allowing for currency translations and the exchange risk, he said.

In particular, fund managers should look closely at UK Government "Yankee" bonds—the Government's dollar-denominated borrowings. There were occasions when an equivalent UK gilt might not yield as much as a similar UK Yankee.

Addressing the National Association of Pension Funds investment conference in Eastbourne, Mr. Freeman said another reason for investment in this market was to offset the risks in parallel sterling-dollar swaps which had been taken out by many funds to finance property investment during the late 60s and early 70s.

One way of minimising currency risk was to buy a Yankee bond maturing on the same day as the swap.

Mirror man is named as top journalist

FINANCIAL TIMES REPORTER

JOHN PILGER of the Daily Mirror has been named Journalist of the Year in the 1979 British Press Awards for his reports from Cambodia. He will receive a prize of £1,000.

Melanie Phillips, social services correspondent of The Guardian, is named at Reporter of the Year for her interpretation of how Whitehall policies affect the public. She and the winners of all other categories will receive £250.

The award for International Reporter of the Year goes to Robert Fisk of The Times for his despatches from Iran. Peter Browne, of the Chronicle and Echo, Northampton, is named Provincial Journalist of the Year for his reports on Northampton schools. Steve Latter of the Buckinghamshire Advertiser gets the Young Journalist award for his reports on the routing of the M25 motorway through his locality.

The Specialist Writer of the Year award goes to Angus MacPherson, defence correspondent of the Daily Mail, principally for his series on NATO's preparedness. The Sports Journalist award goes to John Arlott of The Guardian.

Sam White of the Evening Standard—"in a class of his own"—is named as Columnist of the year. Anthony Burgess of The Observer is Critic of the Year.

John McCririck of The Sporting Life is named as Campaigning Journalist of the Year for his exposure of after-time betting on the Tote. A special award of £250 goes to David Leigh of The Guardian for his reports on jury-vetting and telephone-tapping.

Graham Wood of the Daily Mail is Photographer of the Year and Kent Gavin News Photographer of the Year.

The contest is organised by Mirror Group Newspapers in collaboration with a number of other newspapers, among them The Financial Times. Mrs. Margaret Thatcher will present the awards at the Savoy Hotel on April 16.

Silver demand continues

SALEROOM

BY ANTONY THORNCROFT

SILVER continues in good demand in the salerooms with Sotheby's making £236,145 at an auction yesterday. The top price of £14,000, plus 11.5 per cent in buyer's premium and VAT, paid for an 80-piece George III Coburg pattern table service by Paul Storr, was double the forecast and a George II square salver by Edward Cornock was also above estimate at £9,500.

Shrubsole, the London dealer, paid £9,000 for a William III Monteith bowl by Robert Timbrell and an Irish collector gave £8,000 for a George III 22 carat gold Irish freedom box of 1795, with the arms of Earl Fitzwilliam.

Books from the Library of Lincoln's Inn made £31,278. The best price was the £3,900 for 78 volumes of Dutch books about antiquities published around 1700. Among the watercolours, "Fishing boats at Whitby" by George Weatherill sold for £600.

In the sale of bonds and shares at Phillips, a 1905 Japanese Government bond, sold in Germany, made £2,100 and a 1908 Chinese Government gold loan bond went for £1,000.

An antique silk Heriz carpet sold for £32,000 at a Christie's sale of Eastern rugs and carpets. An antique Kashan Mochtasban carpet made £8,500; a similar prayer carpet, £7,500, and an antique Senna rug, £7,200.

Diving bell safety code

THE Association of Offshore Diving Contractors yesterday revealed their code of practice for emergency diving bell recovery which will be mandatory on all its members.

It was produced after consultation between diving companies, Government departments and oilfield operators and follows the recent deaths of four divers in two diving bell accidents in the North Sea.

The instructions in the code relate to adequate amounts of breathing gas necessary while a bell which has lost its gas supply is being recovered, and the maintenance of necessary warmth in a bell for 24 hours.

It also states that all diving bells will be equipped with wireless through-water communications in addition to their hard wire system. A means must be provided to locate accurately the position of a lost diving bell.

Bells with lift wires and ballast weights must meet legal requirements. An additional means of recovery must be incorporated in the bell's retrieval system. All bells must have external weights which, when released, make the bell positively buoyant.

A meeting of diving contractors and acoustic equipment manufacturers in Aberdeen yesterday agreed that a new safety frequency for diving bells would be 37.5 kilohertz.

Commander Jack Warner, UK chief diving instructor, said the new frequency may well be accepted as an international diving bell safety frequency.

NEWS ANALYSIS—CONTRACTING PLASTICS

One cut that may herald many more in period of painful rationalisation

BY SUE CAMERON

THE DECISION of HJB Plastics, part of the Courtaulds group, to cut production and halve the work force at its Leicester factory could be the first of many similar moves by makers of packaging film and plastic bags.

The industry seems set for a period of painful rationalisation. The main reasons, those given by HJB for reducing its own operations at Leicester, are spiralling costs, weak prices, strong competition from cheap imports, and fall in demand.

This last is a sign that the much-heralded economic downturn in the West has begun.

Polyethylene film-makers can normally rely on business building up steadily from the end of the summer as retailers prepare for what they hope will be a Christmas shopping bonanza.

Last year the upsurge in orders failed to materialise. In the first two months of this year there has been no compensating rise in sales.

It is not that consumer goods manufacturers have stopped prepackaging their products, nor retailers deciding to do without carrier bags and smaller counter bags to give their customers.

It is simply that fewer shoppers are willing to pay 3p for a carrier bag and anyway some retailers are experiencing poor sales which means there is lower demand for plastic bags and sheets of film. The fall in consumer demand has coincided with a dramatic increase in raw material costs.

The Packaging and Industrial Film Association says that the coincidence amounted to a "formula for disaster" for many smaller, less robust producers.

The cost of the LDPE, low-density polyethylene granules that makers of plastic film and bags use as a raw matarial usually accounts for about 60 per cent of their costs.

In 1978 LDPE granules could be bought for £260 a tonne. Today they cost well over £600.

LDPE prices have risen by 16 per cent this year.

The rises were caused largely by the oil crisis, with its dearer crude and naphtha, the oil-based feedstock used to make LDPE.

Dearer naphtha enabled LDPE producers like ICI and Shell Chemicals UK to put up prices and improve low margins they had suffered for several years.

The spot market price of naphtha has started to fall, and it seems likely that naphtha contract prices will be lower in the second quarter than now.

But plastic material producers are determined to maintain the headway made on their prices last year which means the granules have hit the fan for many polyethylena film and bag manufacturers.

The industry is fragmented and includes a good many very small operations. Many companies have responded to the fall in demand by keeping their own prices down to keep volume up. As a result, the entire industry has experienced enormous difficulty in passing on its raw material cost increases to customers.

This has aided its competitors.

Competition is from three main sources: foreign producers; bags and wrappings from traditional materials such as paper; and packaging of other plastic materials, notably high-density polyethylene.

High-density polyethylene, HDPE costs more per tonne than LDPE. Its use in packaging is limited because it cannot be produced in a transparent form. It is the stronger material.

This means that far more plastic bags can be made from a tonne of HDPE than from a tonne of LDPE, and though thinner, they are as strong as those made from low density.

The film-packaging industry has always relied on LDPE as a raw material because of comparative cheapness and transparency. Now HDPE becomes far more attractive for opaque items such as bin-liners, refuse sacks and carrier bags.

But companies cannot simply switch from one type of plastic to another, because HDPE film requires a completely different technology.

At present domestic producers of HDPE film cannot simply switch from one type of plastic to another, because HDPE film requires a completely different technology.

At present domestic producers of HDPE film cannot meet the total UK demand for it. The door is therefore open for imports.

Most British packaging film-makers produce a wide range of goods. On the Continent they tend to specialise far more.

This has helped make them more efficient and enable them to keep prices down.

Traditional materials, particularly paper, are also making inroads.

Overall, the outlook for UK manufacturers is bleak. Many may be forced out of business, or reduce capacity and jobs.

While the next few years are almost certain to be tough for the plastic film and bag industry, it may well emerge from them in much better shape, without some smaller and less efficient companies.

Price rise of 10% soon

Shell Chemicals plans to increase the price of its polypropylene plastic material by 10 per cent from the beginning of next month. Yesterday the group warned that further price rises "must be expected."

Polypropylene is probably the most versatile of plastic materials. It is used to make bottles, domestic utensils, crates, brush bristles, moulded plastic car parts and specialised packaging film where transparency is important.

This increase takes Shell Chemicals' general-purpose grade polypropylene from £500 to £550 a tonne. The copolymer grade will go from about £545 to £600.

The reason given is "rising cost of crude oil and petrochemical feedstocks."

The company said the increase meant "only a partial recovery of these costs."

Imperial Chemical Industries is known to be looking for higher polypropylene prices, and is thought likely to raise them soon.

UK NEWS

Tesco looks to U.S. for long-term growth

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE TESCO stores group is pressing ahead with plans to expand into U.S. retailing. Mr. Leslie Porter, Tesco's chairman, said yesterday that the company was carrying out a feasibility study with the aid of management consultants into likely takeover prospects.

Tesco has made no secret for the past two years of its intention to expand into the U.S. market but so far it has failed to come up with a suitable takeover target.

Tesco, heavily involved in the High Street price war of the past two years, is now considering a new store investment programme as well as introducing new electronic checkout technology, but it still believes that U.S. expansion offers the best means for long-term growth.

Tesco is confident in its ability to increase further its share of the UK grocery market in spite of the little overall market growth in the 1980s. But it is concerned that its success may eventually lead to some Government intervention under the anti-monopoly laws. Although Tesco has only just under 15 per cent of the total grocery market, in some regions it is already moving close to a dominant position.

Tesco also believes that its professional management style developed during the 1970s is ideally suited to the American market. The U.S. grocery trade is fragmented and a number of companies are in financial difficulties. Already some European retailers, especially from West Germany, have moved into the U.S. market through acquisitions.

Tesco is understood to be looking for a U.S. grocery retailer with up to 100 outlets of 50,000 sq ft each and close to growing centres of population. It is probably prepared to spend up to £70m on the right acquisition.

The company is conscious of the problems faced by other UK retailers, such as Mothercare, in the U.S. market. It has therefore embarked on a comprehensive, state-by-state search to find a grocery chain with long-term prospects.

A similar cautious approach using management consultants was adopted by the Imperial Group before it decided to acquire the Howard Johnson hotel and restaurant chain in the U.S.

Tesco is anxious to move into the U.S. before the favourable exchange rate declines. Its problem is that it is already becoming financially stretched to meet its new superstore building programme. It may be forced to sell even more of its smaller U.K. stores to finance any U.S. deal.

'Pioneer role' for BNOC

Financial Times Reporter

MR. MALCOLM FORD, British National Oil Corporation's new head of exploration and production, said yesterday he hoped the State corporation would take on a pioneering role in the North Sea.

It was important for a British national oil undertaking to to be a good pathfinder. He saw the corporation leading in the North Sea on at least three fronts:

● BNOC should be willing to try new technology, particularly British technology, where other companies might be more inclined to stay with established techniques. "The last thing that any oil developer wants to use is something regarded as a prototype."

● It should play a leading role in opening up new exploration areas. A start had already been made. BNOC was to be the operator of a well in almost 4,300 feet of water on the edge of the Rockall Trough to the north-west of the Hebrides, which would be one of the deepest and most expensive wells ever drilled offshore.

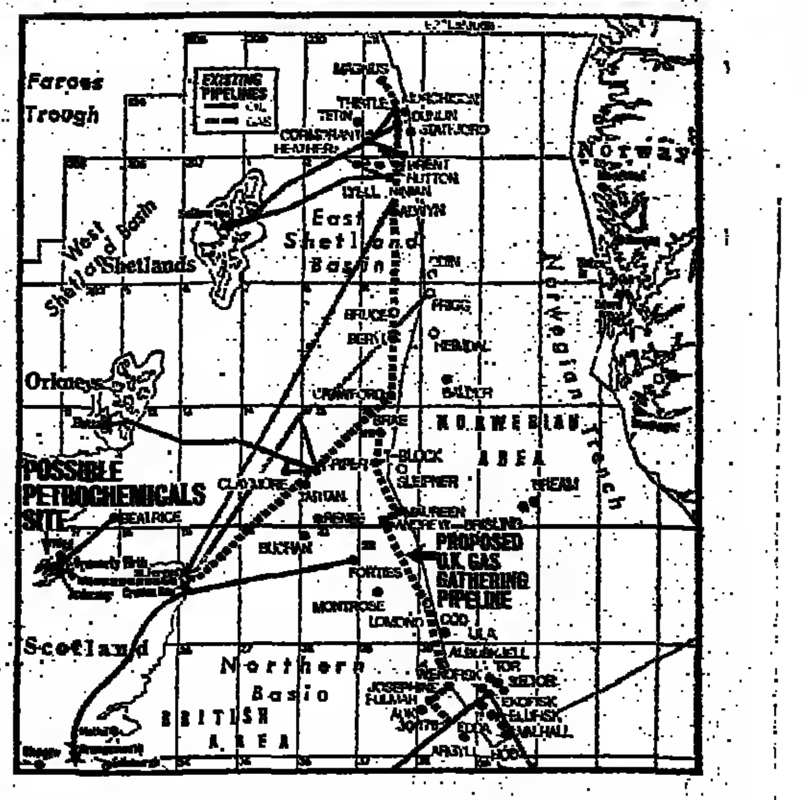
● Mr. Ford also saw BNOC playing a leading role in the development of a North Sea gas gathering pipeline network, a scheme which is likely to cost at least £3bn, including an associated petrochemical complex.

The corporation might also want to become involved in chemical manufacturing.

Mr. Ford, 54, is deputy managing director of Shell UK Exploration and Production, but will shortly retire to become a full time board member of BNOC. He will be in charge of exploration, production and construction.

Gas gathering system planned for N. Sea

BY RAY DAFTER, ENERGY EDITOR



A £3BN North Sea gas pipeline network and an associated petrochemical complex will almost certainly get Government go-ahead this summer.

A British Gas Corporation and Mobil joint study team are finishing a report that will be submitted to the Energy Department next month.

Preliminary reports indicate that enough gas in at least 12 fields to justify the construction of a 400-mile pipeline linking reservoirs as far north as Magnus and as far south as the British National Oil Corporation's unnamed discovery in block 30/17b. BNOC and its partners, Shell and Exxon, are already preparing to develop this reservoir—a further indication that an early start is to be made on gas gathering.

It is understood that the Government is anxious to have the pipeline system in operation by 1984/85—a tight schedule for such an ambitious offshore scheme.

While it has still to decide on financing arrangements, Energy Department ministers expect the formation of a new consortium of gas producers—such as Mobil, Shell, BP and BNOC—and gas users. It seems almost certain that British Gas will invest in the project.

Chemical companies relying on gas for manufacturing processes may also be invited to join. These would include Imperial Chemical Industries, already a major customer of British Gas, and Dow Chemical which is planning a new gas-based petrochemicals complex on Cromarty Firth.

The new gas gathering system will probably land at St. Fergus, near Peterhead, where there are gas reception terminals serving the Frigg and Brent fields. British Gas would extract the natural methane gas used for heating—and other gases such as propane, ethane and butane would be sent by pipeline to the Cromarty Firth chemicals site.

Unconfirmed reports suggest that the initial dozen fields in the system could contain 400bn cubic metres. This is more than the proven gas reserves in all the fields in the southern basin of the North Sea.

Furthermore, as the Mobil/British Gas report will point out, the amount of gas that could be fed through the new line could be significantly increased as further fields are found. Exploration activity in the northern part of the proposed pipeline—will be boosted under the terms of the seventh round of licences, to be announced shortly. And in keeping with its exploration policy, the Government has already begun to look at plans for an eighth round of licences.

Mr. Hamish Gray, Energy Minister, who has been encouraged by preliminary reports from the study team said: "The report will confirm that there will be sufficient gas in the 12 fields for us to proceed with a viable gathering system."

Behind that statement lies a good deal of political and economic manoeuvring involving the UK, Norway and a number of major European energy consumers, among them Germany, France, Denmark and Sweden.

Britain would like to see the construction of a joint Norwegian/UK pipeline network that would carry the big Anglo/Norwegian Statfjord Field gas reserves to the St. Fergus terminal. The Norwegian Government is considering its own separate pipeline linking Statfjord with other Norwegian discoveries, including Shell's find on Norwegian block 31/2.

The Norwegians are being encouraged in this plan by several European countries which would like to see the gas landed on the Continent—possibly in Germany. It is understood that some West German bidders have even offered to pay for the pipeline.

UK and Norwegian discussions are to continue this summer. At the heart of the debate are three main negotiating points:

● The price of the gas collected by the new pipeline systems: British Gas is said to have offered lower prices for the Norwegian gas than potential Continental buyers. Mr. Gray said, however, that the Corporation would be willing to pay realistic prices that would reflect the premium qualities of natural gas.

● The timing of the projects could be crucial. Mr. Gray said the Government would like the gathering system to be in operation by the mid-1980s. Without an agreement with the Norwegians the UK consortium could begin exploiting gas in the 16 per cent British portion of the Statfjord Field. The Norwegians, undecided on their own pipeline plans, are known to be concerned about UK Statfjord gas being exploited before Norwegian gas. They feel there should be a unified field-wide plan.

● The degree of UK/Norwegian integration has also to be settled: Mr. Gray feels that UK and Norwegian pipelines should be linked. This would add to the flexibility of North Sea gas collection.

With this in mind, the UK Energy Department has said they would consider the construction of a new gas pipeline link between southern England and the Continent. In this way some, or all, of the Norwegian gas could be transmitted through the British Gas distribution system and sent on to Continental gas users.

Nuclear drilling 'for research'

PLANS for test drilling for nuclear waste disposal at sites throughout Britain did not mean that they would be used for that purpose, a public inquiry was told yesterday.

The head of the Atomic Energy Research Establishment at Harwell, Dr. Lewis Roberts, said that a Government research programme into possible methods of nuclear waste disposal was not yet far advanced enough for any site in Britain to be considered.

He told the inquiry into the drilling of test bores at Loch Doon in the Galloway Hills of South-West Scotland that the area was one of a number where drilling could provide useful information.

He said there was no reason why granting planning permission for drilling should be associated with the possible disposal of nuclear waste there.

"Since it is Government policy that research should take place into the options for disposing of the high-level nuclear waste . . . it is in the public interest that the process of gathering information about stable geological formations in various parts of the UK should be undertaken at many appropriate sites" Dr. Roberts told the third day of the inquiry, at Ayr.

The inquiry, which has heard that 15 areas throughout Britain have been identified as suitable for similar testing, is into an appeal by the UK Atomic Energy Authority against the refusal of the Kyle and Carrick District Council to allow them to sink 32 test bores in the hills near Loch Doon.

Dr. Roberts said it was fully accepted that the country round Loch Doon was an attractive recreational area, but the drilling would have a "minimal effect" on the environment and no radioactive waste would be buried as part of the experiment.

He said research would take about 10 years—and a further 10 years would be needed for the development of demonstration repositories for nuclear waste.

High-level wastes were at present stored at the Windscale re-processing plant.

Dr. Roberts said work had been going on for 20 years into a vitrification process that would convert the waste into a glassy solid for greater safety and ease of disposal.

Monetary policy probe

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE ALL-PARTY Treasury and Civil Service Committee is to undertake a major inquiry into monetary policy, probably lasting from May until about the end of this year.

The committee, chaired by Mr. Edward du Cann, the Conservative MP for Taunton, is expected to look into the statistical evidence for the differing views of economists about the appropriate role of monetary policy.

As a prelude, the committee sought answers about a number of aspects of monetary policy from Sir Geoffrey Howe, the Chancellor.

His letter of reply, reported in yesterday's Financial Times, summarised Sir Geoffrey's view about the ways in which a tight monetary policy affects the inflation rate.

But a number of MPs on the committee are believed to have been disappointed that Sir Geoffrey's reply did not provide more supporting evidence for his beliefs.

Consequently, the committee is likely to be interested in looking at the subject in more depth, drawing on evidence from complicated econometric models of the economy.

Satellite use growth

BY ELAINE WILLIAMS

SATELLITE communication will grow five-fold by the year 2000 according to two U.S. studies.

Telephone and Telegraph and Western Union, the U.S. companies which carried out the studies for the National Aeronautics and Space Administration (NASA), said that telephone conversations would be the major use of satellites.

NASA is researching the use of extremely high radio frequencies, so far unused, for satellite communications. It believes demand for more long-distance telephone calls will force telephone authorities to use satellites because they can carry thousands of calls simultaneously.

DIRECTOR JOINED GELATINE COMPANY AFTER £2m STATE INVESTMENT

Development agency under fire over Leiner crash

TWELVE MONTHS ago the Welsh Development Agency, Wales' equivalent of the National Enterprise Board, announced a £2m capital injection into P. Leiner and Sons, a privately-owned South Wales-based, gelatine manufacturer with overseas subsidiaries.

The investment, the agency's biggest in any single company, was "to support a substantial capital expenditure programme designed to maintain competitiveness and consolidate its (Leiner's) position among the world's leading gelatine manufacturers."

Last week, the company crashed into receivership, starting questions over both the role and investment policies of the WDA, and the position of Mr. Jack Loveland, Leiner's chief executive.

Mr. Loveland was the agency's investment director at the time the £2m deal was first discussed.

The WDA has already come under fire from Labour MPs for allegedly forcing Leiner into receivership and putting its own investment and 350 jobs at the Treforest Estate factory at risk. There have been calls for a full inquiry.

The Leiner family established their gelatine factory on the Treforest Estate in 1937 after fleeing Nazi persecution. The company came to enjoy a high reputation locally as a good employer and received three Queen's awards for export achievement during the 1970s.

Gelatine production is a highly specialised business, which has traditionally been in the hands of a small number of manufacturers. Usually extracted from bones, gelatine is used for a variety of purposes in the food processing, pharmaceutical and photographic industries.

In the early 1970s prices were buoyant, and the industry began to attract wider attention. Big profits looked possible from the turning of a low-value animal by-product worth a few tens of pounds into a high-value scientific product worth hundreds or thousands of pounds.

Leiner embarked on an ambitious expansion programme. It set up companies in Brazil, Ethiopia and Pakistan and increased exports to more than 70 countries.

At Treforest, over £5m was spent on new plant and machinery, with substantial Government support.

In 1975-76 regional development grants totalling £97,705 were contributed to investments of £330,000. In 1976-77, regional grants of £556,378 were paid towards a total investment of £2,027,000.

In 1977-78 regional grants of £360,031 on £2,495,000 were paid. The investment continued into last year when substantial losses began.

In addition, in November, 1976, Leiner received a £550,000 Welsh Office loan towards the modernisation of its factory.

According to the Welsh Office, £50,000 of this sum is still owed, with the final instalment due this year.

But Leiner was also facing increasingly stiff competition. New capacity was springing up in other parts of Europe and in the developing world. Leiner itself built a gelatine plant in Poland. By 1978, the result was a market plagued by over-capacity, rising costs (gelatine manufacture is energy intensive), falling prices and, against most expectations, falling sales in some areas of use.

On top of this in the second half of 1978 came the slow rise in the value of the pound, which hit Leiner's important North American sales. The company plunged into financial difficulties.

In September, 1978, the Leiner board approached the WDA for financial aid. By October, after investigating the company's position, the agency indicated it was prepared to help. One condition was a new chief executive. The directors decided they wanted Mr. Jack Loveland, the agency's investment director.

Both he and Mr. Ian Gray, the agency's managing director, emphasise that from that point, Mr. Loveland took no further part in the negotiations with Leiner.

At its December, 1978, meeting the WDA board agreed to invest £1m in the company's ordinary stock, giving the agency a 22.2 per cent stake, and £1m in preferential shares.

On February 2 last year, the shares were formally allotted. On the same day, Mr. Loveland nominally joined Leiner's board to meet the agency's requirement. But it was not until June 1 that he cleared out his desk at the WDA's headquarters and moved over the road to the Leiner factory.

Mr. Loveland says his immediate task was to draw up a retrenchment programme which included some redundancies. This was presented to the company's banker, Barclays, and the agency in September, and, he says, agreed. But within a month world market prices for gelatine had fallen by more than 20 per cent.

Everybody involved agrees the market was being increasingly swamped. Continental suppliers led by Rousselot, the French animal feed and fine chemical producer, part of the state owned Elf-Aquitaine oil group, were, Mr. Loveland says, selling at between £1,000 and £1,500 a tonne. Leiner's production cost was around £2,000 a tonne.

British users were so concerned, according to Mr. Loveland, that they were prepared to pay a £50 a tonne premium over world prices to try to preserve the home industry.

"Every time we did something to try to maintain our market share, the world price went down £100." Just before the collapse, home producers were reckoned to have only about half the UK market against a traditional share of 80 to 90 per cent.

In a second effort, Leiner held what it insists were serious merger talks with its main UK competitor, Croda International. Croda has been experiencing problems in the gelatine field, with 150 jobs due to be axed next month. But the company is cushioned financially by its diverse activities.

Sir Frederick Wood, its chairman, calls Britain the "cockpit of the gelatine battle." But he says there were no serious talks with Leiner. The possibility of a merger had been aired on and off for several years, but, with each company traditionally holding around 40 per cent of the UK gelatine market, there were possible Monopolies Commission problems.

By January, according to Mr. Loveland, Leiner had embarked on a fresh effort to ease its increasingly serious financial position. The Treforest encapsulation plant was to be sold to R. P. Sherer, a Slough-based American-owned rival, for £1.6m cash. A £3.7m contract to build a gelatine plant in Romania, giving a £1m profit over the next 18 months, was concluded.

And the photographic gelatine side of the business, where Leiner's techniques and efficiency still enabled it to sell profitably, were to be reconstructed.

The Leiner family accepted this plan, though it required them to write off their £3.5m shareholding, leaving the WDA as owners of the company.

Barclays, Mr. Loveland says, was sufficiently interested to agree to an independent evaluation of the package, and, in the meantime, to pay £30,000 a week to the WDA at least until the end of February, for services it provides to Leiner, such as electricity and water, as landlord of the Treforest Estate.

The Agency was already owed over £1m for those services and, Mr. Loveland claims, it wanted £500,000 of the cash from the encapsulation plant sale as part payment of the debt.

The bank would not agree because the plant was part of the security for Leiner's security. According to Mr. Loveland, the agency told him on the morning of February 12 that, unless Leiner made this commitment by 4 pm it would cut off the services to the factory. Under these circumstances, the bank advised Leiner to request a receiver.

"The timing was insane," Mr. Loveland said.

Within the WDA there is categorical disagreement with this account of the collapse in a number of key respects, not least the claim that the agency itself precipitated the company into receivership over the issue of service charges.

The WDA's own full account of what happened is to be published shortly. It is stressed within the agency that both it and the bank were pressing the company from September onwards to reduce its accumulating debts and to move towards an accommodation with Croda to maintain the core of a home gelatine industry under unprecedented attack from cheap imports.

They knew Leiner's indebtedness was increasing, but this was reluctantly accepted because of the possibility of a Croda merger.

The risk of the £2m investment, the WDA says, was recognised at the outset. But, on information available at the time, it seemed reasonable. With gelatine manufacture such a specialist industry, there were assessment problems, it is admitted. The agency frequently calls in outside consultants to examine market prospects. In this instance, no independent consultant was available.

That said, the agency's reading of the company's performance over the years gave a picture of a cyclical market, in which Leiner had consistently invested its way out of trouble, and made enough profits in good times to cover the bad.

The agency also refutes suggestions that there was political pressure.

Perhaps the most significant aspect of the affair, however, is that as the dispute was proceeding, Leiner's rivals were descending on Treforest this week to examine potential pickings at knockdown prices. One Leiner director ruefully remembers a Rousselot executive confiding last year that France was determined to export its unemployment.

Report by Robin Reeves, Welsh Correspondent

APPOINTMENTS

Changes at Bowring companies

C. T. BOWRING AND CO. has made the following appointments: C. T. Bowring and Co. (Insurance)—Mr. J. R. Andrews, Mr. R. P. de L. Cazenove, Mr. R. Chiverrell, Mr. A. Douglas, Mr. A. J. Medniuk, Mr. R. Newman, Mr. J. Nightingale, Mr. B. T. Stewart-Brown, and Mr. P. J. C. Vicears become directors; C. T. Bowring and Layborn—Mr. C. McGarrigle is made a director; C. T. Bowring (Insurance) Holdings—Mr. L. P. Rose has been appointed deputy chief accountant; C. T. Bowring and Co. (Insurance)—Mr. B. A. Udell becomes chief accountant; C. T. Bowring (UK)—Mr. J. C. Hills is made chief accountant.

★

Mr. P. M. Wreford has been appointed a director of SELECTION TRUST. He is managing director of Seltrust Holdings and chairman of its operating subsidiary, Seltrust Mining Corporation Pty. Mr. Wreford joined the Selection Trust Group as chief executive officer in Australia in 1971.

★

Following Frigoscandia's acquisition of Jackstone-Froster from Christian Salvesen (Food Services), Mr. E. W. Hall, Mr. P. O. Persson and Mr. H. Molin have been appointed to the Boards of JACKSTONE-FROSTER and its subsidiary Torbinia. Mr. F. Fenner, already a director of Jackstone-Froster, has been appointed to the Board of Torbinia.

★

The steel division of Johnson and Firth Brown is forming a new company, JFB TECHNOLOGY INTERNATIONAL to market, world-wide expertise in a range of technology related to steel and other alloys, forged and cast rolls and metal processing. Chairman of the new company will be Mr. P. Fox, a director of the JFB steel division, and the managing director will be Dr. G. Lucas, latterly sales director of Firth Brown.

★

NURDIN AND PEACOCK, cash and carry wholesalers, has appointed Mr. D. C. Poole as marketing director. He has been

Mr. A. A. S. Stewart, the financial director of John Menzies (Holdings), has joined the Board of THE NORTHERN GOLDSMITHS COMPANY as a non-executive director.

An associate director. The following become associate directors, maintaining their present function: Mr. A. D. Hopkins, marketing manager; Mr. R. Luckhurst, Reading branch manager; Mr. R. Taylor, security executive and Mr. S. R. Williams, Dagenham branch manager.

★

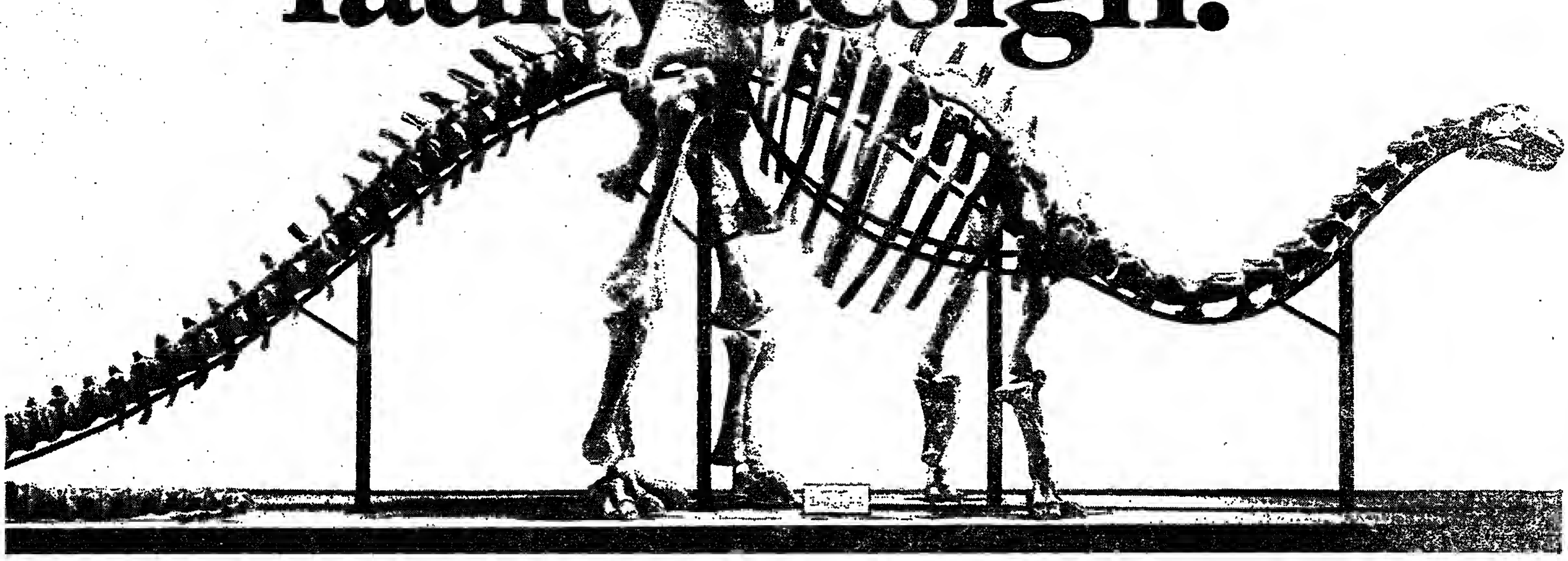
DIXONS PHOTOGRAPHIC (UK) has appointed Mr. Eddie Dayan as marketing director from March 3. He joins Dixons from Yardley of London where he had been marketing director since August 1977. Prior to that he spent six years with Beechams Foods, latterly as marketing director.

★

After two years' secondment to the British Railway Industry Export Group (BRIEX), director general Mr. F. H. Beasant is to return to BRUSH ELECTRICAL MACHINES (part of the Hawker Siddeley Group) as a director. He will be succeeded by Mr. R. A. Savill who, as director and secretary, will continue the duties of the former director general.

هكذا امن الاصل

Evolution has a sure way of correcting faulty design.



Arguably the worst-designed creature of all time, the Brontosaurus literally ate itself out of existence.

So much vegetation did he need to fuel his huge body, he had to eat non-stop round the clock.

But since he could not venture out of his lake on to dry land without collapsing under his own weight, he finally starved in his own empty larder.

Thus providing a spectacular warning of the dangers of conspicuous over-consumption and total inability to adapt to change.

THE NEW DINOSAURS.

With its phenomenal appetite and seemingly rigid design, the motor car could be overtaken by evolution rather quicker than the ill-fated Brontosaurus.

Fortunately, however, we at Audi have never been in the dinosaur business. We have always looked to the future and designed our cars accordingly.

Take the 3-year-old Audi 100 5 cylinder. One of the first cars to acknowledge that the world did not contain a bottomless oil well.

Outwardly conventional, it was actually a most unusual beast. It contained, for instance, the world's first 5 cylinder petrol engine.

Smooth as a six yet miserly as a four, it looked ahead to a time when the desire for power would have to be reconciled with the need for economy.

A time like now, in fact.

Its shape, the result of 250 hours in a wind tunnel, combined low drag with ample accommodation for five. Thereby saving fuel without sacrificing life's creature comforts.

By using tough plastics when others were still using metal, we cut weight (and therefore fuel consumption) without losing strength. And in our search for a safer car, we managed to lighten it even further.

Since the Timoshenko girders in the Audi 100 rely on controlled collapse rather than brute strength to repel impact, they are both lighter and safer than conventional girders. Thus we were able to save your spirit while taking care of your body.

And finally, because it was clear that maintenance costs would rocket as oil stocks sank, we designed a car that would give you fewer bills to pay.

With 10,000 mile main service intervals and a six year warranty against rusting through from inside, the Audi 100 looks better today than it did three years ago.

A NEW LOOK AND A LOOK AHEAD.

You may have noticed that the car you see here looks a little sleeker than the Audi 100 you know.

We have, in fact, polished up the head and rear light design, given it a new grill, enclosed spotlamps in the front bumper and wrapped both bumpers round to the wheel arches.

But the basic design we haven't altered at all. That we got right three years ago.

Leaving us free to design today the cars that will survive tomorrow.

The Audi 100 five cylinder.

Audi The car for now.

OFFICIAL FUEL ECONOMY FIGURES FOR THE AUDI 100 5S URBAN CYCLE ARE: 18.5 MPG (15.3 LITRES/100 KM) MANUAL AND 20.2 MPG (14.0 LITRES/100 KM) AUTOMATIC: AT A CONSTANT 56 MPH, 32.8 MPG (8.6 LITRES/100 KM) ... AND 31.0 MPG (9.1 LITRES/100 KM) AUTOMATIC: AND AT A CONSTANT 75 MPH, 25.9 MPG (10.9 LITRES/100 KM) MANUAL AND 24.3 MPG (11.6 LITRES/100 KM) AUTOMATIC. ALLOY WHEELS SHOWN ARE AN OPTIONAL EXTRA. FOR MORE INFORMATION WRITE TO AUDI MARKETING DEPARTMENT, VOLKSWAGEN (GB) LTD, YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 ... DIPLOMATIC, NATO AND PERSONAL EXPORT ENQUIRIES TO PERSONAL EXPORT SALES, 95 BAKER ST, LONDON W1. TELEPHONE: 01-486 ...

Stormy rehearsal for censure motion

BY JOHN HUNT

A CONFIDENT claim that the Government's economic policies are succeeding was made in the Commons yesterday by Sir Geoffrey Howe, the Chancellor of the Exchequer, when he came under fierce attack from the Opposition.

The Speaker, Mr. George Thomas, had to intervene to keep order, as accusations of "liar" and "hypocrite" were handied across the floor of the House in a running row over the state of the economy.

The sharp exchanges turned Treasury question time into a dress rehearsal for next Thursday's debate on Labour's censure motion over the Government's economic and industrial policies.

Sir Geoffrey was asked by Mr. Douglas Jay (Lab., Battersea North) whether after nine months in office he was satisfied that his policies were succeeding.

He replied: "I am confident that they are succeeding—yes."

But amidst Labour jeers he cautiously added that the Tories had a further four-and-a-quarter years in office and that all sensible economic polices and attempts to restore economic discipline were bound to take a substantial period of time.

The Government should not be judged by its record in the first 100 days or even the first 300 but on its entire period of office.

The assault on the Chancellor's handling of the economy was led by Mr. Denis Healey, Labour's shadow Chancellor, who was in pugnacious form. But it was also clear that some Conservatives were uneasy about the effects of the Government's monetary policy.

Mr. Robert McCrindle (C., Brentwood and Ongar) agreed with the general aims of the Goverment's economic policy and the importance of monetarism in attaining it. But he wondered if the Chancellor was satisfied that it was being applied with sufficient flexibility and sense of timing. He stressed the need not to undermine the social objectives of the Conservative administration.

Sir Geoffrey assured him that he was entirely satisfied in this respect. There had to be a return to monetary discipline and when that main objective was achieved the Government could start pursuing the social objectives which all Conservatives were agreed on.

Concern was also expressed about the high value of the pound and the adverse effect it is having on British exports.

Mr. Peter Tapsell (C., Horncastle) emphasised that it was important for the exchange rate to be in sensible relationship to the international competitiveness of British industry. He reminded the Chancellor that when West Germany and Japan were faced with the inflow of funds they took direct action to discourage such inflows. The Government should consider doing the same for Britain, he suggested.

The Chancellor told him he understood the concern of those in exporting industry that the exchange rate should be at a level to enable them to compete effectively. But this was affected by a number of different factors including the success of monetary policy. He recalled that the imposition of controls to prevent inflows of capital in other countries had created problems of their own.

There were angry exchanges when Mr. Healey said that the Chancellor should have warned the electorate that it was in for 20 per cent inflation. He claimed that the 17 per cent Minimum Lending Rate would have risen to 20 per cent last weekend if the Government had not intervened by lending £500m to the clearing banks.

There were loud shouts of "Nonsense" from the Labour benches when Sir Geoffrey retorted that the Government was restoring the economy from the state it was in when it took office. He was backed up by Sir William Clark (C., Croydon South) who said it was "sheer hypocrisy" of Mr. Healey to criticise the Government when under Labour there had been a doubling of unemployment, prices, and the national debt.

The Speaker warned Sir William that it was unparliamentary to accuse a Member of hypocrisy. But then Mr. Patrick Cormack (C., Staffordshire Southwest) said he had distinctly heard Mr. Healey call the Chancellor a liar.

The Speaker ruled that if this was so it should be withdrawn. After further altercation, Mr. Healey declared that he would never accuse Sir Geoffrey of lying, "as I have too little respect for his understanding to believe that he could ever tell the truth."

Defending his policy, the Chancellor said there was no question of excessive monetarism. If interest rates were higher than was tolerable for industrial prosperity, this was a consequence of public-sector borrowing and spending being too high.

The Chancellor was urged to take action to control the growth of money supply in the light of January's banking figures. But he said it was important not to place too much emphasis on one month's figures. Monetary action would only have effect over a period of time.

The recent action of the Bank of England in relation to the rate of money supply made no fundamental change to the operation of Government policies. The long-term objectives remain the same.

Pressed further on this point by Mr. Healey the Chancellor said: "You should certainly not concluded that the intervention by the Bank of England has been a significant factor in causing changes in the rate of money supply in the last few months."

HOWE: Called a liar

HEALEY: Called a hypocrite

No exchange rate intervention—Howe

THE Chancellor rejected a suggestion from Mr. Robert Sheldon (Lab., Ashton under Lyne) that the Governor of the Bank of England should be instructed to intervene to keep the sterling exchange rate at a reasonable level.

Mr. Sheldon, who was Financial Secretary in the last Labour Government, said the Chancellor's exchange rate policy was directly responsible for the very large amount of manufacturing imports, and the difficulties facing exporters.

Sir Geoffrey replied: "The exchange rate is clearly one of the many areas in which the Government cannot have control.

"The exchange rate is fundamentally determined by market forces. Any sustained attempt to influence that by changes in intervention policy would have adverse consequences on other important aspects of economic policy."

Rebellion still on immigration rules

By Elinor Goodman, Lobby Staff

A SMALL group of Conservative backbenchers are threatening not to vote with the Government when the new immigration rules come before the House for final approval.

In December, 19 Tory MPs abstained when the proposals were first debated and though the Government have made several changes to the detail of the new regulations since then, some of those who abstained last time are threatening to do so again.

The rebels are expected to meet shortly to consider their strategy but some seem to feel that their original abstention may have been protest enough and that there is no point in making themselves even more unpopular with the whips by refusing to vote with the Government again.

The Order, published on Wednesday has already been prayed against by the Liberals. Mr. Norman St. John Stevas, the leader of the House, was pressed yesterday by both Labour and Liberals to allow another full day for debate.

He told them that he did not think it was necessary to have any more than the one-and-a-half hours normally provided for a negative resolution as MPs had already debated the proposals at length and all the changes made since then reflected the opinions expressed in that debate.

Nevertheless there is considerable pressure for a full debate and it may be that the Government will be persuaded to confine such debate to discussion of the select committee on home affairs conclusions

Angry Labour MPs condemn higher rents

BY PHILIP RAWSTORNE

THE Government is to cut housing expenditure in England by £540m in 1980-81—a reduction of 21 per cent.

Announcing this in the Commons yesterday, Mr. Michael Heseltine, Environment Secretary, also told MPs that council rents would be increased by a further 60p in the second half of the year.

This would bring the total rent increase for 1980-81 to 28 per cent.

Housing investment programmes for local authorities would be allocated £2.2bn, Mr. Heseltine said.

The Housing Corporation would be allocated £420m for the work of the housing associations; and new towns building rental housing would be given £151m.

Growth in the new towns must be based increasingly on the private sector and homes for sale, he said.

Angry Labour MPs condemned the moves as "a recipe for housing shortages and soaring housing prices."

Mr. Heseltine, dubbed "a national disaster," was greeted with a chorus of demands for his resignation.

But the Environment Secretary insisted that the revised programmes reflected what the nation could realistically afford.

By last year, taxpayers and ratepayers were contributing to a subsidy of £30 a week for the average new council house.

Council rents had fallen to 6.4 per cent of income, despite a commitment to increase rents in line with earnings.

The result of Labour's housing policy had been to reduce local authority building programmes.

Low rents had been a major factor in their inability to meet housing costs, finance investment and maintain their stock.

Mr. Heseltine said: "The emphasis of public sector housing policy now must be to meet particular needs, such as those of the elderly and handicapped.

"We have to concentrate on modernising, improving and making better use of the existing stock, rather than on the general provision of new houses.

"And we must encourage home ownership and the private rented sector."

Mr. Heseltine said that the housing allocation to each local authority would be in a single block so that they could decide their own priorities.

"The priorities now must be value for money and concentration, under the more flexible arrangement, on the problem areas."

Mr. Roy Hattersley, Labour's environment spokesman, said the increase in council rents would now amount to 28 per cent over the year.

"Are you really suggesting earnings will increase by that amount?" he demanded.

"If not, what effect on inflation and industrial relations do you expect to result from rents increasing by such an enormous figure?"

Mr. Hattersley said that no one had benefited from Tory housing policies. Private rents had been increased, owner occupiers faced "uniquely high mortgage rates," and now council tenants would have to pay higher rents.

Mr. Heseltine retorted that during the last four years of Labour government, local authority housebuilding had fallen from 102,000 to 59,000 a year.

There was no reason to suppose the rate of new housing starts would decrease faster than they had been doing.

Mr. David Alton, the Liberal spokesman, said that local authorities would have less money for mortgages and would not be able to increase owner occupation.

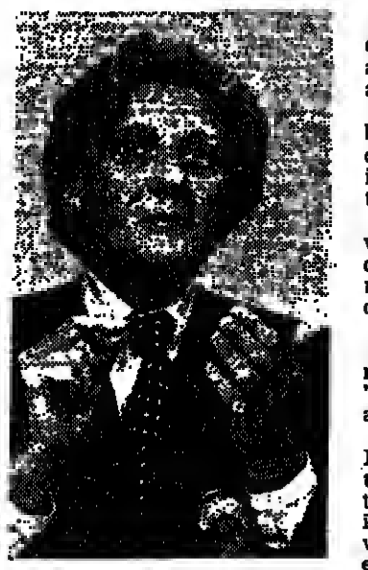
"What will they do to accelerate improvements when you are reducing the money available?" he demanded.

Mr. John Tilley (Lab. Lambeth Central) said that inner city areas with difficult housing problems could be hit by the reduced allocations.

Mr. Heseltine was jeered when he replied that the sale of council houses could release resources for other local authority programmes.

Mr. David Stoddart (Lab, Swindon) said that the Government's announcement was a "recipe for housing shortages and soaring housing prices."

And Mr. Jack Straw (Lab, Blackburn) said that Mr. Heseltine was living up to his reputation as the "gauleiter of housing." The Government's moves would have severe effects on employment in the construction industry, he said.



HESELTINE: "A disaster"

Tories face Lords' revolt on school transport

By Elinor Goodman, Lobby Staff

THE Government's plans for introducing a charge on school transport could run into trouble in the Lords. More than 30 Roman Catholic Conservative peers are believed to have reservations about even the compromise proposal which Mr. Mark Carlisle, the Education Secretary, produced two weeks ago to minimise the threatened rebellion among his own backbenchers in the Commons. They could be joined by other Conservative peers *with rural interests.*

Opposing

Lord Butler, the architect of the 1944 Education Act and one of the party's most revered elder statesmen, is also understood to be unhappy about the provision and might be prepared to support an amendment at the Education Bill's committee stage.

He has already served notice that he intends opposing one of Mr. Carlisle's own amendments to the Bill, relating to the provision of nursery education.

The Government's business managers are clearly expecting trouble in the Lords when the Bill goes into committee. They have allotted an entire week for the committee stage, which in the Lords is taken on the floor of the House.

The signs are that if they do vote for an amendment on school transport, then the feeling in the Lords might be strong enough for them to make life quite difficult for the Government, if Ministers refused to accept their change when the Bill returned to the Commons.

The criticism on the Tory benches of the proposed school transport charge came mainly in the Commons from MPs with rural constituencies—where almost all children have to travel by bus to school—and from Catholic members who are concerned about the additional cost for Catholic parents who have to send their children some distance each day to Catholic schools.

Mr. Carlisle's compromise succeeded in reducing the threatened rebellion to 13 Conservative MPs but even so there is still considerable concern about the proposal on the backbenches.

Nott defends choice of Stansted

BY IVOR OWEN

A CLAIM by Mr. John Nott, the Trade Secretary, that there is no realistic alternative to the Government's proposal to expand the capacity of Stansted Airport failed to satisfy Tory backbench critics in the Commons last night.

He warned that without greater use of Stansted Britain would be unable to cope with the anticipated expansion in air traffic by 1990 with damaging effects for the national economy.

At the same time, he said, there would be increasing chaos in the London area airports which would make the present peak-time squalor at Heathrow the norm for all the London area airports throughout the year.

Mr. Nott had to contend with repeated interruptions from the Government benches and was bluntly told by Sir Derek Walker-Smith (C, Hertford E.), the longest serving Tory MP, that the case for making Stansted what would in effect be the third London airport had not been established.

Labour and Liberal MPs, who have also attacked the Government's proposal on the grounds that to channel 15m passengers a year through Stansted would inevitably create unlimited and unbalanced urban growth on a huge scale in north-west Essex and east Hertfordshire, joined in the protests.

Mr. Nott's insistence that in arriving at his decision he had not been particularly influenced by his Department's officials made little impression on Sir Derek who spoke of the "irrational and prejudiced preoccupation in official circles of the alleged desirability of Stanstead as the third airport."

Dealing with the forecasts of growth in air traffic by 1990 the Minister said they ranged from a low point of 69m passengers a year to a figure of 81m a year. Present capacity at Heathrow, Gatwick, Stanstead and Luton amounted to approximately 50m passengers a year.

He underlined the importance of the aviation industry as one of the growth sectors to the British economy and contended that without the expansion of existing capacity, traffic would undoubtedly be diverted to Paris and other continental airports.

Mr. Nott declared: "To restrict growth in London would simply suppress traffic or divert it to continental airports with dire long term consequences for our trade and the convenience of the British travelling public."

He stressed that the final decision on the Stanstead proposals must await the outcome of the wide ranging public enquiry which would be able to consider alternative proposals.

Mr. Nott then went on to argue that for practical purposes there was no alternative to the expansion of Stansted. He ruled out a revival of the Maplin project and argued that it was no longer realistic to think of constructing a third London airport on a totally green field site.

Mr. Nott was equally emphatic in coming down against the building of a fifth terminal at Heathrow or a second runway at Gatwick.

He declared: "If the Government accepts the argument that the demand for air traffic has to be met rather than avoided and if at the same time it takes a realistic and thoroughly cautious view about the forecasts, Stansted provides the only viable choice with regard to flexibility on timing.

"Not only is it the only site that with the neglect of a decision for the past decade can conceivably meet demand up to 1990, it also provides the only realistic option for meeting the demand of air traffic as it develops."

Mr. Nott said the public inquiry into the Stansted proposal would give objectors an opportunity not only to expand on the reasons for their objections but also to question the need for a major airport expansion anywhere, as well as an opportunity to put forward alternative sites.

Mr. John Smith, Labour's shadow Trade Secretary, contrasted the resistance in the South-East to the construction of a third London airport to the welcome which such a development would receive in some of the less economically prosperous regions of Britain.

Parliament's business next week

COMMONS

Monday: Private members' motions; Guillotine motion on Social Security Bill.

Tuesday and Wednesday: Companies Bill, remaining stages.

Thursday: Debate on an Opposition motion of no confidence in Government economic and industrial policies.

Friday: Private members' Bills.

LORDS

Monday: Bees Bill report; Education Bill, second reading.

Tuesday: Criminal Justice (Scotland) Bill report.

Wednesday: Debates on the Finniston Report and on cathedrals.

Thursday: Protection of Trading Interests Bill third reading; National Heritage Bill committee; Farm and Horticulture Grant orders; Debate on a commercial-size, fast-breeder nuclear reactor.

Union pulls out of power station's lagger dispute

BY PAULINE CLARK, LABOUR STAFF

A SOLUTION to the problems which have bedevilled work on the £560m Isle of Grain power station seemed even further away yesterday when union leaders declared their "withdrawal" from the long running dispute over bonuses for laggers.

Mr. Frank Earl, national officer in the General and Municipal Workers' Union said the 27 strikers involved on the Kent site had been advised by the union to look for jobs elsewhere.

Strike pay was no longer being paid but the union had not withdrawn its support for its members in the dispute. It had called on any other thermal insulating engineers to refuse employment on the site should it be offered to them.

The union also announced it would be calling a national industrial conference to discuss the events surrounding the dispute. In the meantime it felt that nothing could be gained from any further attempts to gain satisfactory terms for its members.

Contractors

Mr. Earl blamed the failure of the CEGB to meet union negotiators directly for the present impasse following the six month strike on the Isle of Grain.

He claimed that the board had put the union in the position of only being able to talk to the insulation contractors, Cape Contracts, who employed the laggers. *This was like trying to negotiate through a third party,* they claimed.

Mr. Earl said it was the CEGB which had adopted "an inflexible attitude" by insisting on a £2.60 an hour maximum bonus for the laggers. The Board was in this way "imposing its will" on the contractors.

"It is now up to the CEGB to break the deadlock since we have withdrawn from the dispute," Mr. Earl said.

The strike over the laggers' bonuses began last August and marks the latest in a series of industrial relations problems on the Isle of Grain.

Completion of what is planned to be the largest oil-powered power station in Europe is already two years behind schedule.

Wage contract law suggested by Prior

BY RAY PERMAN, SCOTTISH CORRESPONDENT

LEGALLY ENFORCEABLE wage contracts might be included in further Government moves once it is seen how the new labour legislation works out in practice, Mr. James Prior, Employment Secretary, said last night.

Such contracts could enable employers to pay higher wages in return for two or three years of guaranteed production. This would be useful in the car industry.

Mr. Prior was speaking on the eve of facing trade union reaction to his industrial relations proposals when he meets the Scottish TUC in Glasgow today.

The unions will be predictably hostile, because the STUC has already made up its mind about the amendments put down by the Government on Tuesday to the Employment Bill now before Parliament.

A conference which will open a campaign against the proposals has been called by the STUC to coincide with Mr. Prior's visit.

The Employment Secretary said last night that he would be prepared to discuss with the trade union movement the way in which his new ideas on secondary picketing and the closed shop would be implemented, but he could not be expected to change them in substance.

It was important for the country to realise that these proposals were a compromise between the hard line put forward by some sections of opinion and the status quo favoured by the TUC.

They were intended to deal with specific problems and were not a comprehensive framework like the Industrial Relations Act and the Labour Government's "In Place of Strife" had tried to be.

The Government could be more ambitious. But it would risk the collapse of its legislation and democracy, and the future of Britain as a major industrial power could not survive another Government failing on industrial relations.

Mr. Prior said he favoured a step-by-step approach. The present proposals would be followed by a Green Paper this year embodying some of the work on immunities already done by the Government and the CBI.

AUEW move on sackings

By Our Labour Correspondent

SENIOR STAFF at the Amalgamated Union of Engineering Workers London headquarters will meet next week to consider the dismissal of two research officers who prepared controversial material for Mr. Bob Wright, the union's left-wing assistant general secretary.

Staff representatives are expected to seek a meeting with the union's executive when it meets on Tuesday. They will then meet, probably the next day, to consider their next move.

The two research staff, Mr. Alan Hughes and Mr. Trevor Esward, were dismissed for gross misconduct on Tuesday after preparing material on last year's engineering pay negotiations and the right-wing controlled executive's handling of opposition to the Government's Employment Bill.

Mr. Wright, for whom the research was conducted, will appear before the executive on Tuesday morning.

Transport leaders want protection for BL

BY ALAN PIKE, LABOUR CORRESPONDENT

TRANSPORT AND General Workers' Union leaders are considering *their* policy on BL *in* the light of Wednesday's decision by the Longbridge workforce not to strike in support of Mr. Derek Robinson, the dismissed convener.

Mr. Robinson, a member of the Amalgamated Union of Engineering Workers, lost his job after attacking Sir Michael Edwardes's recovery plan for the company, to which the TGWU is still officially opposed.

The TGWU—which commissioned a report on BL from Euro-Finance, the Paris-based firm of consultants—is working out detailed proposals for the way it believes the company should develop. It is planning a campaign to make the public more aware of the need for *rapid action to retain BL* as a major element of British manufacturing industry.

TGWU leaders are convinced there must be adequate short-term protection for BL in an import-dominated home market.

They have apparently considered campaigning for strict controls on the sale of cars which have not been assembled in the UK, or do not contain a substantial proportion of locally manufactured components, from January, 1982.

The union is also concerned that any partnership agreements between BL and other manufacturers should be intended to lead to the expansion of the British industry.

Talbot car plant hit by strike

PRODUCTION IS threatened at the Talbot car-engine plant, Coventry, where 200 factory-cleaners went on strike yesterday. They mounted a picket to turn away lorries loaded with components.

The men, employed by an outside contractor, are claiming the same pension and lay-off rights as Talbot company employees.

They also claim that the management has failed to keep a promise of the old company, Chrysler UK, to supply overalls and safety boots.

But Talbot said responsibility for any outside contractor must surely rest with his employer. Talks, however, would be held to solve any grievances.

Welsh pit action might be slow to damage national economy

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE STRIKE threatened for Monday by South Wales miners' leaders might serve to highlight local grievances, but would inflict no major short-term damage on the economy, though it could rapidly hurt domestic coal-users.

Pithead voting began yesterday by the area's 27,000 miners on a recommendation by the union leadership to strike from Monday in protest at the threatened run-down of the Welsh steel industry by British Steel Corporation.

Deep-mined coal production in South Wales is about 8m tonnes a year (108m tonnes for Britain as a whole).

Of this, nearly 3m tonnes is coking coal, 2m smokeless fuels, including anthracite, and more than 2m steam coals used in power stations.

A strike would be felt first in the market for anthracite, the high-quality, naturally smokeless fuel used in home heating.

Wales has Britain's sole workable reserves, and production is insufficient for national demand. Some is imported from Morocco and West Germany.

The impact, therefore, on supplies would be rapid, though offset by the relatively mild winter and the fact that half Welsh production is from opencast sites by civil engineering contractors who would not be directly involved in a strike.

South Wales's output of steam coal is mostly of low volatility, and unsuitable for power stations in general.

Much is used at specially-designed power stations in South Wales, most important of which is Aberthaw, near Swansea.

The Central Electricity Generating Board estimates 1m tonnes of steam coal to be stockpiled in Wales, enough to last 9 to 10 weeks, so a pit strike might not begin to bite for two months or more. Nor would it prove embarrassing to the National Coal Board in the coking coal market. Because of the national steel strike the NCB has extensively stockpiled coking coal, or tried to use it in other markets.

Prospects

It is hard to quantify the financial effects of a Welsh stoppage on the NCB, but a strike is hardly likely to prove disastrous. South Wales is one of the NCB's major losing areas.

In the last financial year it had an operating loss of £18.9m. Its production had a higher value than any other area, £31.75 a tonne, but cost of digging was £36.10 a tonne, higher than in any other.

Reasons include the geological difficulties; rock faulting, which is particularly bad; the fact that many of the easiest faces are worked out; low level of investment in the 1960s; and the weak state of the coking coal market.

Until there is a substantial improvement in that market, the prospects for the area do not seem bright. The NCB has put in mothballs a plan for a £120m mine at Margam which would have produced high-quality coking coals.

NCB has recently agreed on a £22m subsidy to BSC under which BSC will buy British coal rather than bring in 1.3m tonnes more cheap imports.

This will safeguard some South Wales production, but the agreement runs only for one year.

A year ago a tripartite group, comprising the Government, the mining unions and the NCB, reported that even if the investment then planned yielded benefits in full, South Wales mines would be in substantial deficit by 1983-84.

The subsequent crisis in the steel industry can hardly have improved that picture and has posed a fresh threat to thousands of jobs.

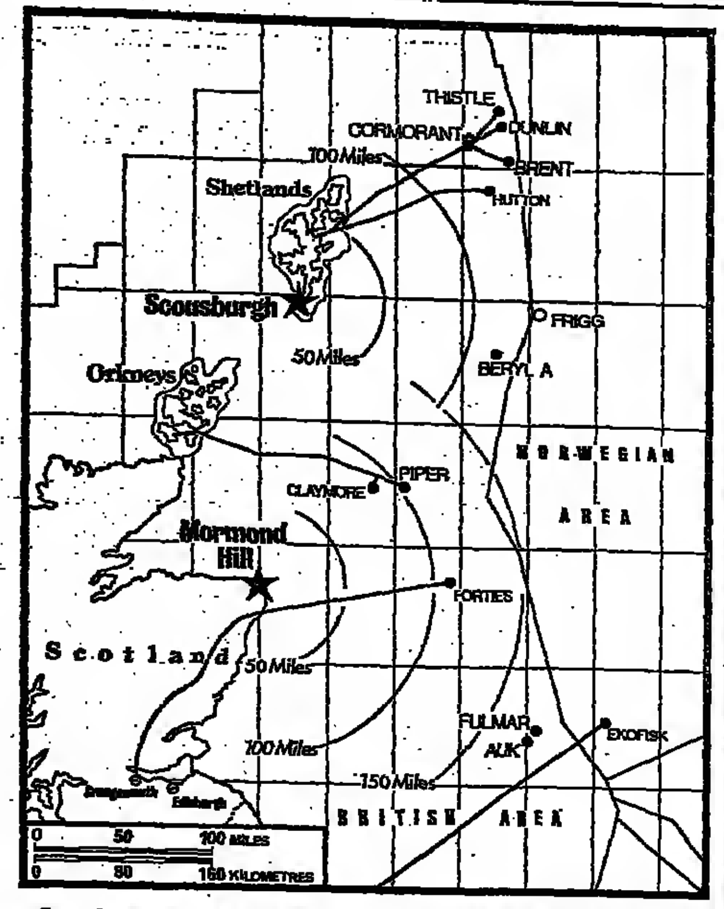
● Scottish police arrested more pickets yesterday in Lanarkshire, where 30 were arrested after fighting on Wednesday, writes Maurice Samuelson.

There were six arrests as a group of 70 pickets tried to stop vehicles moving into a private steel stockholder at Wishaw.

Later one man was arrested at a Bellshill plant as police tried to contain about 80 pickets trying to stop laden vehicles leaving.

At Sheerness, Kent, only about ten pickets turned up compared with 1,800 who unsuccessfully tried to halt production at the town's private steel plant the day before.

In Sheffield more talks will be held tomorrow between unions and management at Hadfields, where many workers reluctantly rejoined the strike a week ago. The company has repeatedly warned that continuation of the strike may force it to close.



Scousburgh and Mormond Hill in the map above are the two Post Office shore tropospheric scatter microwave stations that serve oil production platforms in the most remote parts of the North Sea. Mobil's Beryl "A" oil rig (pictured right) was the first in the North Sea to receive an automatic public telephone service in 1976.

ENERGY REVIEW: NORTH SEA COMMUNICATIONS BY ELAINE WILLIAMS

Extending the horizons of the oil rigs

WHEN SHELL'S Fulmar oil production platform becomes operational this year it will be equipped with some of the most sophisticated communications equipment ever used in the North Sea. It will also be, if not the first, the most distant platform from the UK shore to be provided with a telecommunications link which allows workers on the platform to telephone and telex almost anywhere in the world.

Good communications with the shore are essential in the day-to-day operations of oil and gas production platforms in the North Sea, one of the most inhospitable corners of the world. Workers on the platform have to send information about daily production figures to land-based terminals, and the computers which monitor the pipelines and assist production operations constantly need to relay to the shore the information which has been gathered. This is in addition to conventional communications for speech, links with ships and helicopters which bring in vital supplies.

All maritime communications are based on radio and for communication between ships and oil platforms the traditional methods are employed. However, the amount of informatioo which daily flows between platforms and the shore would soon congest the radio frequencies which are shared by other users.

The Post Office has spent several years developing a system, at a cost of more than £7m, to improve North Sea communications to allow oil and gas production platforms to connect directly into the public telephone network, just like any other Post Office customer.

To achieve this the Post Office has pioneered in the North Sea the use of an advanced technical system known as tropospheric scatter. This makes use of microwaves, which have extremely high frequencies—so that they can carry a very large amount of information and many individual telephone channels.

But microwaves have a serious drawback. Although they are able to carry easily all the computer data, telephone conversations, telex and even facsimile transmissions simultaneously, like light they travel in straight lines and hence the range of transmission normally extends only as far as the horizon. This is useless for tha oil platforms in tha central and northern parts of the North Sea which are between 100 and 200 miles from shore. Tropospheric scatter is a techniqua which allows engineers to stretch the range of microwave communications to 400 miles.

Very powerful microwave signals are projected in a narrow beam towards the horizon in the direction of the platform from the shore transmitter, or vice versa. The normal turbulence in the earth's lower atmosphere, the troposphere, causes the beam to scatter, in the same way that the loom of a car's headlights can be seen at night when the car itself is out of sight.

Aerials

Although most of the power of the beam is lost, enough of it remains in the scattered beam to allow signals to be picked by receiving aerials far beyond the horizon. The signals are weak. Compared with the original transmitted beam they are one thousand trillion (million million) times weaker. Powerful amplifiers at the receiver boost the signals to their original strength.

It was in January 1976 that the Post Office inaugurated its international telecommunications service for oil and gas platforms operating 100 to 200 miles from the UK mainland. It allows access not only to the platform's own land base but also to Britain's inland and international telephone and telex network. The Post Office says production staff on North Sea platforms are able to make world wide calls, and send telex messages almost to any couatry without calling in the operator.

The principle of tropospheric scatter was demonstrated as long ago as 1933 by Marcani. However, it was not until the 1950s that practical systems were developed.

Today its use has been principally for defence, although some civilian systems have been installed. Tropospheric scatter is used to link areas of land separated by mountainous terrain where it is difficult to use conventional microwave systems which need a chain of aerials positioned every 30 miles or so.

It is believed that its application in the North Sea is the only such use in tha oil industry since most other oil fields are within sight of land. The drawback for tropo-scatter is the fact that compared with conventional microwave — capable of carrying thousands of telephone calls simultaneously — tropospheric scatter can only handle 100 or so. But this is enough to cope with the requirements of oil platforms.

Mobil's Beryl Alpha was the first North Sea platform to be provided with an automatic public telephone service using tropospheric scatter techniques. It lies some 95 miles east of the Shetlands. Since then the number has risen to 15 with others such as Fulmar due to join the network in the near future.

Following the Beryl Alpha platform, Occidental's Piper platform some 110 miles from shore, north east of Aberdeen joined the service and later Total's Frigg field. In the second phase of the programme ten more platforms joined which included a complex of seven platforms—Shell's platforms in the Cormorant, Brent, and Dunlin fields, aod British National Oil Corporation's Thistle platform.

To serve the oil fields the Post Office built two special microwave radio stations on the shore. The first at Mormond Hill in North East Scotland serves the central area of the North Sea while another at Scousburgh, on South Shetland, links the most northern platforms. These stations are also mutually linked with their own tropo-scatter system. At the platform end of each link, equipment similar to that on shore is installed and maintained by the oil companies or their agents.

Because of the need for high reliability the Post Office has tried to ensure that at least two links to a particular group of platforms is provided. This means that usually two platforms are equipped with the tropospheric scatter system which are the "master" statioos for a particular area.

These master stations are linked to all the others in the vicinity by the conventional line of sight microwave system. The master stations operate alternately so that a sudden failure in the equipment does not mean a loss of communications with the shore. It takes only 11 seconds to switch from one to the other. For example, Cormorant A platform owned by Shell has a master station which alternates with the BNOC's Thistle platform in the northern regioo of the North Sea. Some oil coopanies have also sat up their own tropospheric scatter systems but these are for internal communications on their own private networks.

Feasible

A tropospheric scatter system is also being planned for Shell's Auk platform which is in the central area of the North Sea. On its own Auk would not economically justify such a system. However, the addition of the Fulmar platform only seven miles away makes tha investment feasible.

The cost of the initial phase of the tropospheric scatter system for the first four platforms was almost £3m. The Post Office estimates that the total cost, including systems which will become operational up to 1981 will be £10m. This also includes the two systems now under construction to cover Shell's Fulmar field and the Phillips Maureen field. Fulmar at a distance of 175 miles from shore will be the longest link provided by the Post Office so far.

Tropospheric scatter had not been used by the Post Office as a communications system before the introduction of the Beryl service in 1976, although it had previously carried out experiments using the technique. The Post Office said that it chose this method after considering the alternatives of satellite or submarine cable. It found that satellites and cables were both more expensive. A suitable satellite could not have been launched in time to serve the platforms coming into operation and the cost of launching a satellite, which has a limited lifespan, is high. On the other hand, undersea cables face the prospect of damage from the heavy fishing in the North Sea, ship anchors and other underwater activities around platforms, extremely bad weather conditions and a shifting seabed.

Distances

It is only in the central and northern areas of the North Sea that the tropospheric scatter system is provided because of the large distances which have to be spanoed. In the southern fields the platform complexes can be served by conventional microwave systems.

For example, both the Leman and Indefatigable fields lying off the East Anglian coast send and receive signals from a single shore based station at Bacton which then connects the platforms into the public telephone and telex networks as provided by the Post Office. In these two fields alone a total of eight platform complexes are served by the direct microwave link because they are within sight of land.

Using both types of microwave link up to 132 individual channels can be transmitted using a single microwave beam. Huge aerials transmit and receive the beam. On the platforms themselves 20 to 30 ft diameter dish aerials are perched on top of 300 ft steel towers to ensure that no obstacles bar the way of the transmission.

Even with the precautions taken to prevent loss of transmission the oil and gas platforms also hava several other forms of communications which can reach as far as land such as an emergency link to Post Office coastal stations on lower frequencies than microwaves.

Using the two shore stations for the tropospheric scatter system the Post Office believes that it will be able to meet offshore communications needs well into the 1980s and hold off competition from the growing use of satellites.

COMPANY NOTICES

NEGIT S.A.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the tenth ANNUAL GENERAL MEETING of NEGIT S.A. will be held at the registered office in Luxembourg, 10A, boulevard Royal, on Tuesday, 11th March, 1980, at 12 noon, for the purpose of considering the following Agenda:

1. To receive and adopt the Directors' Report and the Report of the Statutory Auditor for the year to 31st December, 1979
2. To receive and adopt the Balance Sheet and Statement of Operations as at 31st December, 1979
3. To approve payment of Directors' Fees
4. To grant discharge to the Directors and the Statutory Auditor in respect of the execution of their mandates to 31st December, 1979
5. To receive and act on the nomination for election of Directors and the Statutory Auditor for a new term of one year. To ratify the decision of the General Council of 25th September, 1979 which has appointed Mr. Pier Carlo Marengo as a new Director of the company and which has accepted the resignations of Mr. Michele de Michelis and Mr. Alphonse Schmit.
6. To appropriate the earnings
7. To transact any other business.

The resolutions will be carried by a majority of those present or represented.

The shareholders on record at the date of the Meeting are entitled to vote or give proxies. Proxies should arrive at the registered office of the company not later than twenty-four hours before the Meeting.

By Order of the Board,
J. PIERSON, Secretary

BANQUE NATIONALE DE PARIS

Floating rate note issue of USD 75 million February 1978/84

The rate of interest applicable for the six month period beginning February 21st, 1980 and set by the reference Agent is 16⅜% annually.

THE CONVERTIBLE BOND FUND N.V.

(Incorporated with limited liability in the Netherlands Antilles)

Shareholders in the Fund are convened to attend the Annual General Meeting of shareholders to be held on Monday, 17th March, 1980, at 10 a.m. at the registered office of the Fund at Pietermaai 15, Willemstad, Curacao, Netherlands Antilles.

The items on the Agenda are:—
Report and Accounts 1979.
Proposal of a final dividend for 1979 of US$0.22, making together with the interim dividend of US$0.18 paid in August 1979 a total of US$0.40 per share for the year and,
Re-election of the Members of the Board of Management.

In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting, holders of bearer shares must deposit their share certificates (or a deposit receipt for their share certificates) mentioning their names, address and nationalities at the registered office of the Fund not later than 10th March, 1980.

BY ORDER OF THE BOARD OF MANAGEMENT.

Curacao.
22nd February, 1980.

THE GRESHAM STREET DOLLAR FUND N.V.

(Incorporated with limited liability in the Netherlands Antilles)

Shareholders in the Fund are convened to attend the Annual General Meeting of shareholders to be held on Monday, 17th March, 1980, at 11 a.m. at the registered office of the Fund at Pietermaai 15, Willemstad, Curacao, Netherlands Antilles.

The items on the Agenda are:—
Report and Accounts 1979.
Proposal of a dividend for the year 1979 of 15 cents.
Re-election of the Members of the Board of Management.

Shareholders may attend the Meeting either in person or by written proxy, which should be deposited at the registered office of the Fund not later than 10th March, 1980.

BY ORDER OF THE BOARD OF MANAGEMENT.

Curacao.
22nd February, 1980.

THE COLNE VALLEY WATER COMPANY

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS of Ordinary and Preference Stocks will be CLOSED for one day only on 4th March, 1980 for the preparation of the Dividend Warrants payable on 1st April, 1980.

Dated this twenty-second day of February, 1980.

W. A. COSGROVE, Secretary.

Blackwell House,
Aldenham Road,
Watford,
Hertfordshire, WD2 2EY.

APPEALS

ANCIENT MARINERS, now sending out distress signals, are cared for by us. Please acknowledge with a gift to: General Secretary, J. H. Moore, Royal Alfred Seafarers Society, "Weston Acres," Woodmansterne Lane, Banstead, Surrey, SM7 3HB.

TRAVEL

GENEVA, Basle, Zurich and Berne, widest choice of cheap flights from 4 U.K. airports. Brochure, FALCON 01-351 2191.

APPOINTMENTS

LEGAL NOTICES

IN THE MATTER OF LEA VALLEY PUBLICTIONS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of March 1980, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned, Patrick Granville White, of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 13th day of February, 1980.

PATRICK GRANVILLE WHITE
Liquidator.

IN THE MATTER OF HENDERSON ADVERTISING LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of March, 1980, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned

BRIAN MILLS,
of 1, Wardrobe Place,
Carter Lane,
London EC4V 5AJ,

the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 15th day of February 1980

B. MILLS, Liquidator.

PERSONAL

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1967

CHRIS MILLER MEDIA SERVICES LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, on Friday, the 14th day of March, 1980, at 11.30 o'clock in the forenoon, for the purposes mentioned in sections 294 and 295 of the said Act.

Dated this 15th day of February 1980.
By Order of the Board.
C. MILLER, Director.

IN THE MATTER OF THE COMPANIES ACT, 1948 AND IN THE MATTER OF S. P. H. (FUELS) LIMITED

Registered Office:
33, Clifford's Inn, Fetter Lane, London, E.C.4.

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a MEETING of the CREDITORS of the above-named Company will be held at 33, Clifford's Inn, Fetter Lane, E.C.4, in the City of London, on Tuesday 18th March 1980 at 11.30 a.m. for the purpose mentioned in Section 294 et seq of the said Act.

Dated this 13th day of February 1980.
By Order of the Board,
B. JOHNSTON, Director.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMMUNICATIONS

Network cuts the phone bill

YET ANOTHER company with nationally spread locations, Norwich Union Insurance, has moved over to an integrated private communications network using leased Post Office lines and reckons to save 20 per cent of the £1¼m phone bill previously incurred each year by extensive use of the public network.

The scheme, which links the company's three dozen or so branches by private lines, has nodes with switching centres at Edinburgh, Sheffield, Birmingham, London and Norwich. The centres are connected by wide-band circuits and themselves radiate connections to their surrounding regions.

These main and subsidiary links have bandwidths (call capacity) according to present and predicted traffic flows, London to Norwich carrying most of the traffic with a 240 kHz bearer.

Telephone Rentals has supplied much of the hardware including the five PDX switching centres costing £1m. Total project cost was £1.3m.

A particular advantage for employees is that in effect all the company's telephones are connected to one large PABX. Staff have desk-to-desk dialling without operator intervention; a user simply dials "7" to get on to the network, a two-digit code to get to a specific location, and an extension number.

The network is also connected to a traffic data collection and analysis system, allowing details of telephone usage at each of the 38 remote locations to be seen at Norwich.

Later on this year, 35 data circuits are to be added to give the appropriate staff direct access to the computer at Norwich.

Guiding the tourist

REPLACEMENT of all external directional, information and warning signs at the Tower of London is to be carried out by Brihond Signs of Victoria Road, Burgess Hill, Sussex. Around 450 new signs are involved, and the contract is due for completion in 1980.

The signs will be made from 3mm and 6mm thick sheet aluminium, stove-enamelled black on the back surfaces. The faces will be coated with 3M's Scotcbal non-reflective black pvc film, which provides a non-scratch surface and will either be silk-screen printed in white, or have diecut letter legends, depending on the amount of text involved. All lettering will be in Baskerville typeface.

Three basic types of sign are involved — descriptive signs for mounting on external exhibits, directional and warning signs (some of which are multi-lingual), and pictorial signs with international symbols for traffic control within the Tower precincts. Many of the signs will be fitted with holders for removable aluminium inserts to enable information to be readily changed.

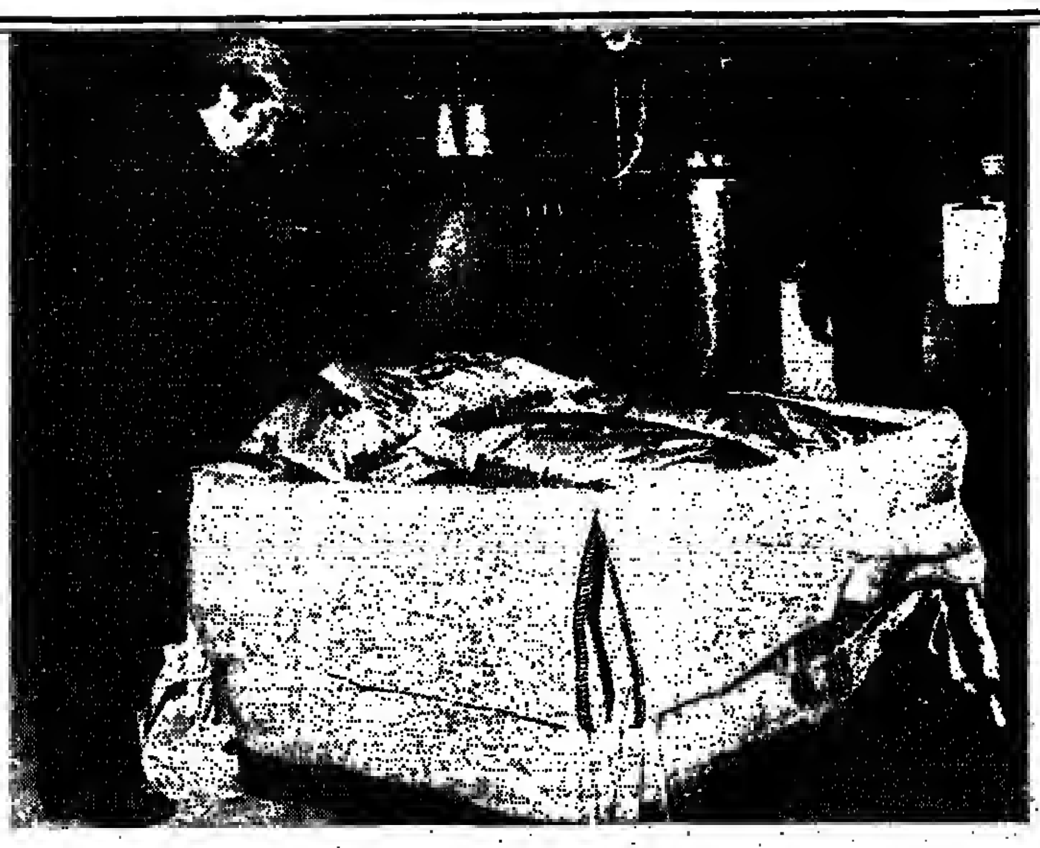
● INSTRUMENTS

Readable from a distance

FOR APPLICATIONS where a display has to be readable at a few yards as in cash registers and other point of sale devices, and in some kinds of instrumentation, Beckman Instruments has developed an alpha-numeric gas discharge unit SP-450-018.

Twenty half-inch high characters, each with 14 segments, are visible at distances up to 40 feet. The character structure means that 10 numerals, the upper case alphabet and any special characters or symbols that can be accommodated within 14 segments are feasible. Viewing angle is 120 degrees and the brightness is 70 foot-lamberts.

More from the company at Queensway, Glenrothes, Fife KY7 5PU.



Big bags make handling easier

MANY SHIPPING and distribution organisations hava moved to packaging on pallets or in intermadiate bulk containers (IBCs) of either the flexible or rigid type. All the systems have advantages and disadvantages.

Now another system has been developed to combine the advantages of small bags loaded on pallets with the attractive features of "bulk" loading in a flexible IBC. This system is based on "sling bags" and has been developed by Pertwee Industrial of Harbour House, Colchester (0206 43221). The basic idea is to use a stiff fabric bag which can be loaded with, say, 50-kg bags and thereafter used as a flexible IBC. Any size of paper sack can be used.

It is claimed that in many situations, the sling-bag system can be expected to eliminate in-transit waste. The paper sacks can be down-graded which offers a minor but useful saving to offset the extra price of the bag which is around £9 for one tonne capacity. If damage to the package occurs during handling, in all except extreme cases, the contents will be retained inside the main outer bag so eliminating total losses.

The sling bag itself can be loaded with one product or mixed loads and it will stack up to five high.

● FARMING

Tractor has electronic hitch system

DEVELOPED primarily to meet the needs of North American farmers for more powerful machines is a Massey-Ferguson tractor said to be the first in the world to be fitted with an electronically-controlled three-point hitch system.

This is designated the MF 4840, is rated at 194 kW engine power and will be operated extensively—mainly in eastern areas of the country—before a final decision is made about marketing it in Britain.

Instead of using mechanical linkage to transmit depth of the implement and position control the new system incorporates induction coils to sense draft and position changes and to transmit the signals electrically through a control box to a solenoid-operated lift control valve.

Induction coils sense changing soil conditions and electronically adjust the hydraulic system faster and more accurately than has ever been possible with mechanical systems, says M-F, Banner Lane, Coventry (0203 465211).

Consequently, the tractor is consistently used at maximum efficiency by precisely matching implement working depth to differing field conditions. Once the implement is set at the desired working depth, the operator simply presses a switch to raise and lower the implement when turning at the headland.

The machine is powered by a Cummins V-8 diesel engine, has an 18-speed transmission provided by a six-speed gearbox in combination with three-speed power shift, and it can be equipped with 1,000 rev/min pto.

Despite its overall weight of 12 tons, says the company, the tractor's tyre equipment keeps the ground pressure comparable with that of smaller tractors. Also, although it has a length of 6.4 metres, the extreme manoeuvrability of pivot steering enables it to turn in a redius of only 5.2 metres.

● PROCESSING

Clean-up on bottles

THERE'S an awful lot of steel to be seen around the factory of one of the world's largest suppliers of beverage packaging machinery at Broadheath, near Altrincham, Cheshire.

Stock-piling has been the name of the game for some months now in anticipation of the steel industry's current hiatus because Barry-Wehmiller's new complex must be able to cope with the increasing international demands for its equipment.

Jointly owned by Barry-Wehmiller company of St. Louis, U.S.A., and Stone-Platt Industries at home (with whom a manufacturing plant at Bolton was shared until recently), the company now has a floor area at Altrincham of 12,000 square metres where production will initially concentrate on heavy fabrication and assembly. (These areas are considered by the company to yield the greatest savings in cost and manufacturing lead times.)

Giant bottlewashing systems, pasteurisers, bottle inspection equipment and conveyors are all produced at the Altrincham site where over 200 people are involved in manufacturing, quality control, marketing, dasign engineering, customar sarvice and administration.

One of the first facilities to be installed in the new plant was a stores complex designed to stock a comprehensive range of accessories and replacement parts.

At present, much of the parts machining operation is subcontracted to specialist machine shops under the company's tight quality-control supervision but an increasing volume of this work will eventually be brought in-house where there is space for considerable future expansion.

Investment in modern fabrication plant includes a numerically controlled template cutting machine, automatic pipe welding equipment, as well as materials handling equipment and tooling.

When it introduced its pressurised spray system Vortex in the late 1930's, the company claimed to have revolutionised the pasteurisation of in-bottle products such as beers and soft drinks and it reckons it has since kept pace in a rapidly developing industry.

Single and double deck machines handle a full range of container capacities (maximum height 340 mm) from outputs of 2,000 per hour up to 150,000 per hour. These machines are of pre-fabricated tank construction with all mechanical motion derived from a hydraulic system.

Utilising the automatic soak/jet-principle, the Series 20 bottle-washer is a new addition to the company's bottle washing systems and is claimed to make optimum use of water and steam and reduce energy demand.

Fully automatic electronic empty bottla inspection machine, Opti-Scan III, handles a variety of glass bottles up to two litres capacity, regardless of colour, and copes with up to 800 containers a minute.

Believed to be the most advanced bottle scanner in the world is the Opti-Scan IV, said to inspect up to 50 per cent more container surface area than its competitors.

This machine is capable of handling bottles up to five inches in diameter and 14 inches high. It can inspect different coloured bottles intermixed without the need for resetting. Container handling is carried out using starwheels. Faulty or contaminated bottles are removed from the flow line by a vacuum system.

Working in conjunction with Opti-Scan is Questron which the company says represents the most significant technological achievement in electronic empty bottle inspection in 20 years.

All these products will be demonstrated at the International Brewing, Bottling and Allied Trades Exhibition in Birmingham from March 17 to 21 together with a new high speed single channel bottle sorter.

This employs electro-mechanical and photoelectric sensing techniques to select perfect bottles while rejecting those that are sub-standard at input speeds of up to 600 bottles a minute. Detection can be by means of contour, dimension, or colour.

With its new complex now operational, Barry Wehmiller says it expects to attain sales of nearly £10m (compared with sales of just over £4m in 1975) in 1980. Much of this growth has been achieved with sales outside tha UK because the company consistently exports 70 per cent or more of its production to countries in Europe and Africa as well as the Middle East and Asia.

DEBORAH PICKERING

Automatic frost warning

GROWERS WHO lie awake at night wondering if their crops are about to be spoiled by a frost or some other environmental problem might welcome a service offered by Castle Alarms Central Services of Rayleigh, Essex SS6 7QD (0268 770393).

This company will instal the appropriate sensors in greenhouses or elsewhere and connect them to devices that allow a danger to be signalled over a telephone line to a central monitoring point.

For example, if a thermostat triggers, the transmitter will automatically dial a pre-programmed number and at the monitoring station a message will be printed out identifying location and the number of the alarm sensor.

As soon as such an event occurs, the relevant manager or owner will be contacted by phone.

Cost per transmitter/sensor is in the region of £350, plus an £85 per annum maintenance and insurance cost.

Other sensors are available apart from temperature. For example, blockages in pipeline feeding systems can be detected by pressure sensitive switches.

● LUBRICATION

Fewer changes needed

PREVENTIVE maintenance is an area of engineering that, during the past 15 years has steadily increased in importance. It is, however, unusual for an original equipment manufacturer to participate in developing or introducing preventative maintenance measures alongside its own equipment. Electropower Gears Limited (EPG) of Aylesbury has recently done precisely this.

In conjunction with an international industrial lubricant manufacturer, EPG has launched a new long-life lubricant for use in the variable-speed drives manufactured by its subsidiary Disco and Snpaflex Drives of Kings Lynn. The performance of the oil is such that it totally eliminates the necessity for an early oil change—so far recommended after 100 hours.

Using the new lubricant, the first oil change is not required until 6,000 hours and thereafter every 6,000 hours. This is a drastic improvement on the 1,500-hour change required by the standard oils used in Disco units and most other variable-speed drives.

The new oil with its 6,000-hour change has a theoretical life of two years. As part of a preventative maintenance programme its use should considerably decrease the required maintenance, save both on down-time and lubricant oil expenditure.

Electropower Gears, Aylesbury, Bucks. 0296 24711.

The dispute that gave Ford a painful surprise

Quentin Peel, recently in Port Elizabeth, reports on the volatile progress of industrial relations at the Cortina car plant

WHEN 700 black workers downed tools and walked out of Ford South Africa's Cortina production plant in Port Elizabeth last October, the stoppage took everyone by surprise. The management had believed it had a contented labour force, which recognised the benefits of the sort of enlightened employment practice it had introduced, in keeping with a U.S. multinational in South Africa. The black workers' union, basking in the luxury of company recognition, which is enjoyed in only a handful of plants in the country, was unaware of any burning grievances on the shop floor. The dispute was expected to be no more than a token demonstration.

In the event, it took almost 12 weeks to resolve, cut production at the prestige Cortina plant to less than 20 per cent of normal and cost the company some R12m (£6.7m) in lost output. It sparked off parallel disputes at two neighbouring plants, cost the workers their annual Christmas bonus, and was only resolved after international intervention, and the mediation of U.S. diplomats in South Africa.

The dispute has left race relations between black, white and coloured (mixed race) workers at the factory badly strained. (Each race has its own union.) Twenty workers are still facing prosecution for alleged intimidation, and the most prominent strike leader is being held in indefinite detention by the South African security police under the Terrorism Act.

For Ford, the experience has been particularly painful. The company has been one of the leading U.S. subsidiaries in South Africa to adopt the code of fair employment practices drawn up by the Rev. Leon Sullivan of General Motors for U.S. operations in South Africa. This promotes black advancement, equal pay, desegregated facilities, and the spending of money on improving living conditions in black townships. Ford's liberal stance not only failed to prevent the dispute, it may actually have aggravated it. "In the things we have been doing, we have definitely created expectations in the minds of people far beyond what we envisaged we could do in the short term," said Fred Ferreira, director of industrial relations at Ford South Africa.

The company was also caught in the middle of conflicting pressures: between the militancy of its black workers and the conservatism of the whites; between a liberal parent company and more cautious plant management; and between international pressure for change and a South African desire to resist "foreign interference."

The dispute raised vital questions about the operation of any company in South Africa: Will shop-floor militancy increasingly become an outlet for black political aspirations? Will multinationals be a prime target? How can a multinational reconcile the conflicting racial and political pressures? How should it react to labour disputes, whether political or industrial? Should it use, or ignore, unregistered black trade unions? Should it use South African labour laws to resolve disputes?

That the strike was spontaneous, and its cause largely political, is not in dispute. It coincided with a sudden upsurge in political activity in the black township of Port Elizabeth—not only the motor industry capital of South Africa, but traditionally a barometer of black politics. The creation of the Port Elizabeth black civic organisation (PEBCO) last October provided a political voice for the black community for the first time since the mass bannings of black consciousness organisations in 1977. It was the demand by a white Ford supervisor that Thozamile Botha, chairman of PEBCO and a trainee draughtsman at the Cortina plant, should choose between politics and his job, which sparked the first walkout.

Siphiwo Ralo

Members of the black workers' union examine their pay slips after receiving them through a hole in the fence, at Ford's Cortina plant at Struandale, Port Elizabeth.

Then the dispute was complicated further by racial issues. The white workers at the Cortina plant held a meeting at which they attacked the company for taking the strikers back, and bitterly criticised the desegregation of facilities like the works canteen, and black advancement.

In turn, the black workers held a series of protest meetings, until the company decided to adopt a tough line, and told the workers if they did not come to work, they would have dismissed themselves. They walked out. The scene was set for a prolonged test of strength between the will of the management and the solidarity of the black workers.

So far, the issues at stake had clearly been racial and political, and the black union, the United Automobile Workers' (UAW), had failed to play any significant role, in spite of the attempts of Ford management to involve it. "The workers bypassed the union," Ferreira said. "The strike was as big a surprise for the union as it was for us."

George Manase, national organiser of the UAW, said the issues were political; the workers ignored union attempts at mediation, and demanded direct negotiations with the management.

The stand-off between workers and management lasted until mid-January. In the meantime, some 200 workers applied to be rehired, sacrificing their accumulated benefits, but the majority stayed away demanding unconditional reinstatement. Finally, according to Ford, the company invited U.S diplomats from the Consulate in Cape Town to act as middlemen in bringing the two sides together, because they were considered acceptable intermediaries to the workers. The diplomats had been keeping a watching brief on the dispute and had already been in contact with both sides.

The deal that finally emerged from this involvement was presented as a signal victory by the ad hoc workers committee, although both sides gave ground. Ford agreed to reinstatement "subject only to the availability of suitable positions." The workers accepted that proviso, and agreed not to press for their lost Christmas bonuses. But although it was a compromise, it was remarkable in South African industrial relations terms: the employer made a conscious decision not simply to replace its workforce from the plentiful ranks of the unemployed, while the employees managed to maintain a sufficient degree of unity to force a deal.

Ferreira says that from the outset, Ford had decided it wanted its trained workers back, rather than to train a new staff. "It was no answer to fill up the plant with other labour. It would not have resolved the reasons for the problems," he argued. International pressure also played a role.

The other surprising action of Ford, in South African terms, was in by-passing the Government machinery for labour disputes. Jaap Cilliers, head of the Government's Department of Manpower Utilisation, said during the dispute: "South Africa has the best legislation in the world for handling situations such as that in Port Elizabeth. Outside interference will not be tolerated."

Yet the Ford management disregarded the disputes procedure. "We could have invoked the industrial council machinery, but that would almost certainly have resulted in court action against some people," Ferreira said. "We tried to avoid a conflict in which outside forces would of necessity have been brought into the picture."

Ford's own analysis of the dispute underlines one factor. Of the company's four factories in Port Elizabeth, the Cortina plant was the one with the youngest, best educated and most ambitious black workforce. It was also the one with a charismatic leader, Thozamile Botha, who is now being detained by the security police. The situation was aggravated by the widespread black feeling that often their white supervisors were less well-educated than they were. In addition, Ferreira is convinced that as an American multinational, Ford is seen as an easy target.

Whether Ford has bought itself lasting industrial peace is still uncertain, not least to the management. Both black and white workers are dissatisfied with the settlement. Government Zini, for example, chairman of the ad hoc strikers' committee, has been forced to leave his former job as one of the six black production supervisors at the plant, and move to a white-collar job. "The management tells me I played a constructive role in the dispute," he says. "Yet the white man in charge of my former section says I am a terrorist, and refuses to work with me. The management will not face up to him. Can you see why I hate that man who is denying me my job?"

The underlying problem of breaking down white racial resistance to black advancement is unresolved, and possibly aggravated. Not only has Ford raised expectations, but many blacks claim the company has not even lived up to its promises. Black advancement, they complain, has been painfully slow.

"I don't think there is going to be a recipe for peace," Ferreira says. "The general direction we have moved in, of communicating to the maximum extent, of making ourselves aware of the aspirations of people, even if we cannot accommodate them, of recognising the black union—each one of these has a risk in it. But what we have done under the circumstances was correct, and we would do again."

The by-passing of the union is one aspect which clearly worries the company. It is now seeking to encourage better shop-floor organisation and negotiation procedures at all levels. Because the UAW is an unregistered union, it faced enormous difficulties in recruitment and organisation until it was recognised by Ford. The dispute proved that it is still not regarded as the natural channel for grievances by the workers. The lack of black experience of negotiation is also blamed by management for the union failure. The rank-and-file workers rejected union talk of compromise. Unionists stress that Ford had not really allowed the union to develop into a strong bargaining unit, preferring rather to use liaison committees combining management and union, and thus undermining its support in the workforce.

But attempts to organise representative black trade unions, now operating with Government blessing since the report of the Wiehahn Commission, may be too late, Ferreira believes. "The Government is being overtaken by the black labour movement. By the time the Government is ready to move to where it thinks the black unions are, it will have been overtaken by expectations. We could be continuously offering too little too late."

Certainly black activists are aware of the political potential of exploiting the growing dependence of companies on skilled black workers. "The Ford strike proved the workers have solidarity. The people have realised they do have some power," according to one Port Elizabeth community worker. They are also well aware of the particular vulnerability of multinationals exposed to international adverse publicity. But the black consciousness movements are not well organised among workers, and are still divided with black trade unions over tactics. Thus while black workers are certainly growing more militant, they lack the formal channels of protest, and the likelihood of sporadic and unpredictable stoppages, rather than a concerted campaign, is that much greater.

The perils of ignoring competitors

OVERCONFIDENCE . . . Confusion . . . Fear (of the law, or of abandoning one's own principles). These are some of the reasons why many companies fail to ask, let alone answer, obviously important questions about their competitors' strengths, weaknesses and future strategies.

So says William E. Rothschild, a senior executive of one of the most competition-minded multinationals in the world, U.S. General Electric.

Rothschild does not mince words. "Many managers who lead profitable businesses tend to be overconfident," he argues in an article published in the McKinsey Quarterly.* "Because of their past success in winning the competitive battle, they begin to believe either that the competitor is inept or that they are superior."

Of his second explanation for management myopia, Rothschild says "Some business managers are simply confused," either about how to obtain competitive intelligence, or about what to do with it. A closely related problem is point three, fear "that the company will be forced to employ illegal or unethical tactics to obtain the data it seeks."

This concern is completely unwarranted, he claims (though not everyone will agree with him): "The strategic data required to make effective analyses are available from legal, ethical and relatively convenient sources. The desire to tell the world and influence investors usually leads competitors to broadcast their investment priorities and strategy in a variety of ways." There are all sorts of outside sources of views and information on competitors, Rothschild adds, ranging from press cutting bureaux to credit reports.

What are the basic questions that Rothschild thinks these misguided or indecisive managers should be asking, analysing and anwering? Seven of the key ones are shown, right. They may seem obvious, but the answers are much less so.

One of the main problems with the first question is predicting who one's future competitors will be. Long before conglomerates came into fashion, with their unpredictable diversification policies, this was always a problem, in that the driving force behind any technical innovation tended to come from outside the industry most affected.

Past and present examples include Edison with incandescent lighting, Marconi with wireless telegraphy, and Polaroid with instant photography. Now that microelectronics is beginning to permeate wide industrial sectors, the problem is even more acute, since competition can suddenly arise in the most unexpected quarters.

To this, Rothschild adds the now classic point about "vertical integration": that the suppliers of components and materials for your finished product may decide to integrate forward and compete with you, for example. Equally, wholesalers or other customers may integrate backwards: Ford and General Motors both did this in the case of motor industry components.

In answering question two, Rothschild emphasises the importance of understanding your competitors' total financial situation, determining whether they have profitable and balanced portfolios, together with identifying any serious problems they may have and the opportunities they are trying to pursue.

On question three, "you should consider how important your industry is to the competitor and what its strategic purpose is. A competitor's commitment may be based on rational judgments or on emotions. On the rational side, it may be the anticipation of growth, strong customer needs, or some unique product or market strength—that is, your industry may be important in the competitor's future growth, earnings performance, or cash-flow position.

"Often, however, emotions play a significant part in decision making. The competitor's commitment may be based on such shallow reasons as: 'The CEO grew up in the industry and is emotionally attached to it,' or 'The business is the core from which the total corporation grew'."

"Investments are consequently made that are unjustified or even detrimental—such as adding capacity when there is already overcapacity, introducing new expensive modifications prematurely, or cutting prices to gain share in a declining market."

Rothschild considers question four particularly important for its deceptive simplicity. Securing an accurate answer requires detailed knowledge of the competitors' key managers, and of its strengths and weaknesses in innovation, financing, production and marketing.

On production, for example, this involves an evaluation of its efficiency, its cost reduction programmes and the state of its capacity and supply arrangements, "along with an understanding of the competitor's total resources for production—human and material."

One of the most complex questions to answer is obviously the crucial final one: "What will be the effect of all the competitors on the industry, market and your strategy?" Most managers stop their evaluations too soon, says Rothschild: "They analyse one, two, even three competitors but, because they fail to interrelate their assessments, they never see the consequences of one competitor interacting with another."

ROTHSCHILD'S KEY QUESTIONS

1 Who is the competition now and who will it be in the future?
2 What are the key competitor's strategies, objectives and goals?
3 How important is a specific market to the competitors and are they committed enough to continue to invest?
4 What unique strengths do the competitors have?
5 Do they have any weaknesses that make them vulnerable?
6 What changes are likely in the competitors' future strategies?
7 What are the implications of competitors' strategies on the market, the industry and one's own company?

* *McKinsey Quarterly, Autumn 1979, McKinsey and Co., 245, Park Avenue, New York, NY USA; 74 St. James's Street, London SW1; and other national offices.*

Christopher Lorenz

LOMBARD

The next stage of the EMS

BY JONATHAN CARR IN BONN

IT WOULD be easy to misinterpret the Franco-German decision to delay introduction of the second stage of the European Monetary System (EMS). Those who saw further development of the EMS aa an essential step to greater European integration, and believed that the French and Germans thought so too, are now probably bewildered and disappointed. Those who poked fun at the scheme all along are no doubt chortling with glee and saying "we told you so." Both reactions are wrong.

The position is this. The European Council of December 5, 1978, agreed that tha initial pbase of the EMS wnuld come to an end "not later thao two years after the start of the scheme." As the EMS did not begin formally until March, 1979, because of the Franco-German dispute nver farm problems, thst meant a deadline of March, 1981. Accnrding to the Cnuncil the next stage would entail creatinn of a European Monetary Fund (EMF), full use of the European Currency unit (ECU) as a reserve asset—all based nn "adequats legislation at the community as well as the national level."

Peaceful

With little more than a year tn gn tn tbe deadline, there remain wideapread differences of view on just what this programme for stsge two means ln practical terms. But broadly there are three options. Ooe is a minimalist solution preseoted by its advocates like this. The present EMS (which, they say, is really the old currency snake plus France bebind a smoke-screen of technicalities) is working rather well. Let's not rock the boat. When March, 1981 cnmes around we will re-name the present "European Mnnetary Co-operation Fund" a "Eurnpean Monetary Fund," urge broader use of the ECU—snd lesve lt st that. Even some central bankers who are by nn means enemies of Europeso integration feel tbat this solution promises a relatively peaceful time. And central bankers, fortunately, are not men who like to llve dangerously. Tbere would not be much trouble meeting the deadline with this option—but it is precisely this approach which Chancellor Helmut Schmidt and President Valery Giscard d'Estaing are ruling out with their decision to wait. The politicians, in a nutshell, are controlling the technicians, not the reverse.

Then there is the maximalist solution. This would mean establishment of a European Central Bank, with control over money supply, pooling of reserves and so on, combined with development of the ECU as a real alternative to the dollar. Even the most dedicated supporters of the EMS must realise that this is more than one year away. Among the many questions raised are these two. *Why should the Bundesbank* relinquish its high degree of independence of government to a Euroepan body—if that body were itself dependent on the decislons of natinnal governments within the EEC Council nf Ministers? And would the rise of the ECU as an attractive reserve asset stabilise the dollar or weaken it—and what would be the political consequences if the latter *proved to* be the case?

The ultimate nbjective must be tn produce an EMS in which these questions are satisfactorily answered. But there is no point in trying tn run before one can walk—and falling flat. Certain is only that the final objective must be kept in mind as the advance ia made to the second stage of the EMS. Tbis ahould thus be neither simply a face-saver nnr an attempted "great leap forward." What could it involve? Among other things the development nf the EMF and the European Investmeot Bank to fulfil the kind of role in Europe which the International Monetary Fund and the World Bank do at another level.

What of Britain—which is so far not taking part in the exchange rate mechanism of the EMS? The answer from Bonn runs like this. British membership would be highly desirable but not essential tn the further developmeot of the system. No one is really in the EMS because they love Europe but because they feel they benefit from it. On balance it is felt that Britain would have stood to gain had it been a full member right from the start.

Hard sell for new jobs

AROUND BRITAIN

SWINDON

FROM TIME to time new town development corporationa or the local authorities of expanding towns have received a visit from a man who looks every inch the managing director seeking informatioo on what the town *can offer his company.*

The first cootact is never followed up because the visitor is Mr. Douglas Smith, industrial adviser to Swindon. In the increasingly competitive husiness of attracting new jobs to towns he feels it is simply his job to keep in touch with the blandishments the "opposition" is offeriog.

Since Mr. Smith, a former senior executive with Plessey and managing director of tha Everard group, took nver three years ago, Swindon's aggressive and competitive approach to merketing its advantages has had considerable auccess.

At least 8,000 new johs have been created, maoy in high-technology industries, and the local unemployment rate, which was touching 8 per cent four years ago, has fallen to 5.5 per cent — around the oational average.

But perhaps more interesting than the crude tntal of jobs is the nature of many of the companies. They include bead offices of financial and cnmmercial companies moving from London. Others are high-technnlngy industries with prospects for expansion—Including half a dozen in computer sales, service and software.

Their arrival is part of a long-term strategy. Three years ago Douglas Smith decided that Swindoo should have a product policy and that electronics and pharmaceuticals would be most likely to grow and insulate the town from the threat of serious unemployment throughout the decade ahead.

Only unusual foresight has put Swindon in a position to attract such companies rather than being a ghost town following the gradual rundnwn of the railway wnrks from a peak of 14,000 jobs to a low pnint of 1,800.

In the early 1950s, long befors Lord Beeching had become famous, Swindon and its town clerk, Mr. David Murray John, assisted by many shop-floor railway workers on its council benches, foresaw the dangers of being a one industry town. With the help nf the Tnwn Development Act Swindon tonk the decision tn expand. Plessey and BL are just the largest nf 300 companies that have subsequently mnved in.

Intel, the U.S. microprocessors manufacturer, which has recently moved its Nnrthern European headqnarters to Swindon, is just the sort of company that is now being welcomed with npen arms. The company already employs 65 people in the town and is planning to build large campus-like offices which could aee the workforce expand to 400. Although there are no plans at present for anything other than sales and service, Mr. David Colby, finance director, said that manufacturing microprocessors in Swindon "has not been ruled out. The manufacturing position is constantly under review."

Why has Swindon not only heen spared the ravages of mass unemployment hnt looks as if it can go against the trend of a deterinrating employment climate and prosper into the 1980s?

The reasons which brought Intel to Swindnn are indeed its main advantages. Communications are excellent—an hour by car down the M4 to Heathrow Airport, 55 minutes hy Inter-City to Paddington—land is available, and the country pubs of the Wiltshire Downs are 10 minutes from the town centre.

Thera is also the fact that the local labour force has light industrial experience and the council makes sura that houses are always available for incoming key workers.

"We have nn *trouble* attracting people to work for Roussel in Swindon. Of the 130 staff whn moved from London only two returned and that was for domestic reasons," Mr. Brian Costin, personnel officer of the Franco-German pharmaceutical company, said. Among the staff of the Science Research Council whn moved from Holborn in central London last year it is said to be extremely difficult to find anyone who would return.

But Mr. Smith is very conscious that all the time he is running to stand still. Last year there were 2,000 redundancies in the town, most of them at Plessey's Garrard turntables subsidiary, which has been facing severe Japanese competition.

He is prepared to go to great lengths to win a company thinking of moving to the town. He tells of the time officials clinched a £1m development in a day of talks that lasted heyond midnight. He contrasts this dynamic approach with a local authnrity, with local unemployment approaching 15 per cent—which *told* an American company that arrived six days before Christmas asking to see sites—that it was too close to the boliday to show it around. Or the town where the industrial development team hroke off talks because it was 5 pm.

"My worry is that over tha next decada the EEC is going to attract a great deal nf inward investment from the U.S. and Japan and that Britain will not gets its fair share becauas of a lack of professionalism in dealing with inquiries," Mr. Smith said.

Nationwide Building Society's administrative building in Swindon.

By an act almost of its own will Swindon has heen turned from what Mr. Joe Smith, Secretary of the Chamber of Commerce, called "a craft town founded on the railways into a head office type of town with a high proportion of administrative jobs."

Perhaps the happiest success story involves those Swindonians who are "inside"—the local name for the railway works, now British Rail Engineering. Mr. Harry Roberts, the works manager, came to close the works in the early 1960s. Instead, employment has actually expanded back to around 3,500 and there are six good applicants for each of his 85 apprenticeships every year.

As BR's 125 Inter-City trains flash past his Victorian office Mr. Roberts is understandably pleased by the resurgence of the railways. Twenty shunting and short-haul locomotives have *recently left the works for* Kenya. Apart from its routine repair work, British Rail in Swindon has produced the prototypes of a revolutionary self-steering bogie developed at Derby and even made 20 ft bolts for Nigeria's offshore oil industry.

Mr. Roberts is certain he knows why Swindnn has had tha foresight and will to pull itself up by its bootstraps when other towns heve gone under. It is he says the influence of the railways. The pride in craftsmanship, the legacy of the Great Western Railway which provided welfars, medicine and education for its wnrkers long before such treatment was general, and even provlded a hearse and four fnr their last journey.

Ray Snoddy

Another chance for Vitrek

RACING

BY DOMINIC WIGAN

STEVEN SMITH-ECCLES, who aggravated that recurrent back injury while schooling at Newmarket last week, bopes to resume at Kempton this afternoon nn Cruise Missile.

Although this lightly-weighted four-year-old can be expected to go well off 10 atnne 2 pounds in the Littleton Novices Handicap Hurdle over two and a half miles, twn wbom I prefer are Vitrek and the course and distance winner, Greg.

Vitrek was the subject nf many a fsvoursble comment here no January 19 when beating all except Starfen in the second divislon of the Waltnn Novices Hurdle. Always well to tbe fore, Vitrek looked capable of testing the winner tn the limit until lack of finishing speed proved his dewnfall on the run in from the final flight.

Although Vitrek went down by five lengths in that event there is little doubt that the form was smart, fnr the winner bad previously gained a 15-lengths success at Sedgefield while Brightnn Marina—well beld in third place—had also scored on ber previous appearance.

As a result of that encouraging *second-placed effnrt*, Vitrek was all the rage for a division of Wincanton's novices hurdle 12 days lster. After making rapid hesdway to take up a challenging position four flights from home, Mrs. Olive Jackson's four-year-old fell back equslly quickly to finish down the field.

The only lngical conclusinn I draw from thst performance is that the glue-like ground conditinns nn the Somerset track were all against Vitrek and he was simply a spent force in the last half mile. His smart effort against Starfen here came nn ground officially classified as firm.

With good ground anticipated for this afternoon he will have no excuses on acconnt nf the going.

Greg, a model of consistency all season, having finished in the frame nn each of bis seven appearances, has enjoyed a well-earned break aince proving too good for 15 opponents in the npening division nf the Egham Hurdle here nn December 27.

Revelling in testing conditioos, in that event Greg outstayed Micbelham Lad to win by two lengths with the remainder well struog out.

KEMPTON

1.30—Concert Hall**
2.00—King Vince
2.30—Vitrek***
3.00—Lone General
3.30—Remigin
4.00—Washington Heights*

TV/Radio

BBC 1

† Indicates programme *in black and white*

6.40-7.55 am Open Unlversity (Ultra high frequeocy oniy). 9.05 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at Ooe. 1.45 Mister Meo. 2.02 For Schools, Colleges. 3.20 Pobol y Cwm. 3.53 Regiooal News for England (except London). 3.55 Play School (as BBC-2 11.00 sm). 4.20 Roobarb and *Secret Squirrel*. 4.30 *Jackanory*. 4.45 Tarzan, Lord of the Jungle. 5.10 Grange Hill. 5.35 Tha Perishers.

5.40 News.
5.55 Nationwide (Loodon and South East only).
6.20 Nationwlde.
6.45 Olymplc Grandstand.
7.55 Top of the Pops.
8.30 Fraocis Durbridge preseots Breakaway.
9.00 News.
9.25 The Eddie Capra Mysteries.
10.15 Points of View (London and South East only).
†10.20 The Lucy Show.
10.45 Regiooal, Natiooal News.
10.50 Tbe Best in the Ballroom: The Csrl-Alan Awards.
11.25 The Late Film: "*Games*," starriog Simone Signoret.

All Reglons as BBC-1 except as follows:—

Wales—1.45-2.00 pm Cwmtgili. 5.55 Wales Today. 6.20-6.45 Hedidw. 10.15 Week in Week out. 11.05 News for Wales. 11.06 Tbe Best In the Ballroom. 11.40-1.37 am The Late Film: "Tea aod Sympathy," starring Deborah Kerr.

Scotland—11.00-11.20 am For Schools (Around Scotland). 12.40-12.45 pm The Scottisb News. 1.00-1.30 Gearcall. 5.55-6.20 Reportiog Scotland. 10.15 Spectrum. 10.45-10.50 Regional, National News.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 The Man with the Black Glove. 10.45-10.50 Regional, National News.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southamptun); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) Times Remembered; Midlands (Birmingham) The R & D Show; North (Leeds) *A Horse nf Us Own*; North Esst (Newcastle) Coast to Coast; North West (Manchester) Home Ground; South (Southamptool More Thao Yesterday?; South West (Plymouth) Parallels; West (Bristol) Public Life.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 pm Open Universlty.
†5.40 Harold Lloyd.
6.00 Monkey.
6.50 Delia Smith's Cookery Course.
7.15 Mid-Evening News.
7.30 Io The Country.
8.00 Robert Lowell: A Life Study of Americao poet.
9.00 Pot Black.
9.25 Pro-Celebrity Golf.
10.15 Jazz played by Clarence "Gatemouth" Brown, Jay McShann, and B. B. King.
10.45 Shakespeare in Perspective — "The Tempest": personal vlew by Laurens vao der Post.
11.10 Late News.
11.25 Friday Night . . . Saturday Morning.
12.15 am Closedown.

LONDON

9.30 am Schools Programmes. 11.55 Cartoon Time. 12.00 A Handful of Songs. 12.10 pm Once Upoo a Time. 12.30 The Television Programme. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Together. 2.00 After Noon Plus. 2.45 Friday Matinee: "Contraband Spain." 4.15 Tbe Tomorrow People. 4.45 Magpie. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.30 Thames Sport.
7.00 The Muppet Show.
7.30 Play Your Cards Right.
8.00 Life Begins at Forty.
8.30 Hawaii Five-O.
9.30 Fully Licensed for Singing aod Dancing.
10.00 News.
10.30 Sosp.
11.00 The London *Programme*: The plot tn scrap the ILEA.
11.45 Pro-Celebrity Snooker.
12.30 am Close: Bernard Hepton reads poems by William Blake.

All IBA Regions as London except at the fnllowing times:

ANGLIA

1.25 pm Aaglia News. 2.45 Houseparty. 3.15 The Spoils of Wor. 5.15 Heooy Doys. 6.00 About Anglie. 10.30 Soven Daya. 11.00 Fridoy Lote Film: "Modron." 12.40 am Man Who Metter.

ATV

12.30 pm Out of Town. 1.20 ATV Newsdoak. 2.45 Fantaoy Islaad. 3.45 Monoy-go-Rouad. 5.15 Hopoy Days. 5.00 ATV Today. 11.00 ATV Nowsdook. 11.05 Murdor of The Movies: "The Boost in the Cellar."

BORDER

1.20 pm Border News. 2.45 Houseparty. 3.15 The Spoils of War. 5.15 Bailey's Bird. 6.00 Lookaround Friday. 9.30 Thingummyjig. 10.29 Border Weather. 10.30 Look Who's Tolking. 11.00 Friday Night Movie: "The Hounted Houso of Horror." 12.35 am Border Nows Summary.

CHANNEL

1.20 pm Channel Lunchtimo News, What's on Whore and Weather. 2.45 The Friday Matinee: Columbo. 5.00 Report at Six. 5.35 In Search Of. 8.30 The Incredible Hulk. 10.28 Channel Late News. 10.32 Brown Study. 10.55 TV Movie Premiere: "The Hatfields and the McCoys." 12.10 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News Headlines. 2.45 Friday Matinee: "The Great St. Trinian's Train Robbery," starring Frankie Howerd. 5.00 North Tonight. 5.35 Sportscall. 8.30 Vegas. 10.30 Reflections. 10.35 The Late Night Horror Show "Blood on Satan's Claw," starring Patrick Wymark. 12.20 am North Late Night Headlines plus Road and Ski Report.

GRANADA

11.50 am Stamp Stories. 1.20 pm Granada Reports. 2.00 Live From Two. 2.50 Movie Premiere: "Shell Game." 5.15 The Rolf Harris Show. 6.00 Granada Reports. 6.30 Kick Off. 8.30 Vegas. 10.30 Double Vision. 11.15 Soap. 11.45 House of Horrors: "The Legend of Hell House."

HTV

1.20 pm Report West Headlines. 2.45 The Friday Matinee: "Shadow in The Street." 5.15 How's Your Father? 6.00 Report West. 6.30 The Muppet Show. 7.00 Emmerdale Farm. 8.30 The Streets of San Francisco. 10.35 Report Extra. 11.05 The Friday Film: "Ghost Story."

HTV CYMRU/WALES—As HTV West/HTV General Service except: 10.31-10.46 am About Wales. 10.48-11.08 Am Gymru. 1.20 pm Penawdau Newyddion y Dydd. 1.25-1.30 Report Wales Headlines. 4.15-4.45 Yn Gynt Ae Yn Gynt. 5.15-5.45 White Light. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.35 Agenda. 11.35-12.30 am Sidestreet.

SCOTTISH

1.20 pm News and Road and Weather. 2.45 Power Without Glory. 3.45 Money-go-Round. 5.15 The Electric Theatre Show. 6.00 Scotland Today. 6.30 Emmerdale Farm. 8.30 Streets of San Francisco. 10.30 Ways and Means. 11.00 Late Call. 11.05 Late Night Movie: "The Split."

SOUTHERN

1.20 pm Southern News. 2.45 Houseparty. 3.15 The Spoils of War. 5.15 Mork and Mindy. 8.00 Day by Day. 6.00 Scene South East (South East area only). 6.30 Out of Town. 8.30 Fully *Licensed for Singing and Dancing*. 9.00 Crisis? The Energy Question. 10.30 Southern News Extra. 10.35 Crisis? The Energy Question.

TYNE TEES

9.20 am The Good Word, followed by North East News Headlines. 1.20 pm North East News and Lookaround. †2.45 Friday Matinee: "Life is A Circus." 5.15 Laverne and Shirley. 6.00 Northern Life and Sportstime. 10.30 North East News Headlines. 10.35 Taylor and Burton: "Butterfield 8." 12.30 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.45 Friday Matinee: "The Whole Truth." 4.13 Ulster News Headlines. 5.15 Mork and Mindy. 6.00 Good Evening Ulster. 8.30 Vegas. 10.29 Ulster Weather. 10.30 Sportscast. 11.00 Witness. 11.05 Friday Film: "Hi-Jack." 12.20 am Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.45 The Friday Matinee: Columbo. 4.12 Gus Honeybun's Birthdays. 5.15 Emmerdale Farm. 6.00 Westward Diary. 6.50 Just The Job. 8.30 The Incredible Hulk. 10.32 Westward Late News. 10.36 Sportsline. 10.55 TV Movie Premiere: "The Hatfields And The McCoys." 12.10 am Faith For Life. 12.15 West Country Weather and Shipping Forecast.

YORKSHIRE

11.55 am The Animates. 1.20 pm Calendar News. †2.45 Friday Film Matinee: "The Voice of Merrill," starring Valerie Hobson. 5.15 Mork and Mindy. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Calendar Sport. 11.00 The Friday Night Film: "Crescendo."

RADIO 1

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Peter Powell. 4.31 Kid Jensen. 5.30 Newsbeat. 5.45 Round Table. 7.30 Anne Nightingale. 9.50 Newsbeat. 10.00 The Friday Rock Show (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S) including 6.15 Pause For Thought. 7.32 Roy Moore (S) including 8.27 Racing Bulletin, 8.45 Pause For Thought and 9.03 Top Five Albums. 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music (S). 5.00 News. 5.05 Waggoners' Walk. 5.20 Much More Music (S). 5.03 John Dunn (S). 8.02 Friday Night is Music Night (S). 9.55 Sports Desk. 10.02 Roy Castle. 10.30 Dorita presents Sounds of Latin America on record. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You And The Night And The Music (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Vivaldi (S). 9.45 BBC Northern Ireland Orchestra (S). *10.35 Young Artists Recital* (S). 11.30 Mendelssohn Cello Sonata No. 1 (S). 12.00 Music From Russia, part 1 (S). 1.00 News. 1.05 Music From Russia, part 2 (S). 2.00 The Arts Worldwide. 2.20 Moods, Impressions and Memories (S). 3.20 Love Songs (S). 3.55 Comparing Notes (S). 4.55 News. 5.00 Mainly For Pleasure (S) (†and mono only from 6.20). 7.00 Weber (S). 7.10 One Pair of Ears. 7.25 Play It Again (S). 7.30 Academy of St. Martin-in-the Fields Octet, concert, part 1 (S). 8.15 The Female Muse (reading). 8.35 Concert, part 2 (S). 9.15 There Is A Balm in Gilead, *Negro* spirituals on record (S). 9.30 Who Killed General Mihailovich? (talk by Professor Vlodimir Dedijer). 9.55 20th-Century Ballets (S). 10.40 Itzhak Perlman, Violin recital (S). 11.05 Dvorak (S). 11.55-12.00 News.

VHF only—6.00-7.00 am and 6.20-7.00 pm Open University.

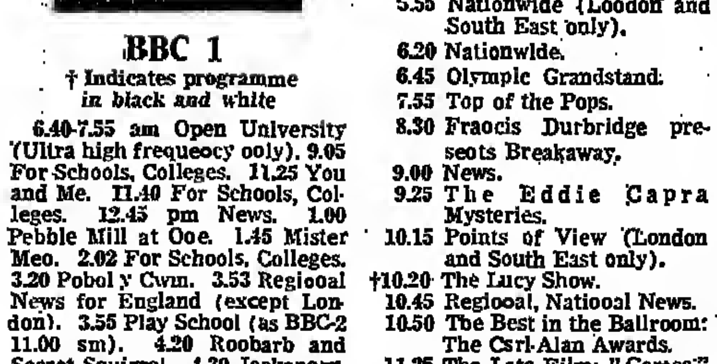
RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Desert Island Discs. 9.45 Enquire Within. 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 Four Frightened People. 11.00 News. 11.05 Woman of Words. 11.50 Bird of The Week. 12.00 News. 12.02 pm You and Yours. 12.27 My Music (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour from Glasgow. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S). 4.10 Image of War. 4.40 Preview. 4.45 Short Story. 5.00 PM News Magazine. 5.50 Shipping forecast. 5.55 Weather, programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Prefaces to Shakespeare: "The Tempest." 8.30 Any Questions? 9.15 Letter From America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.35 Week Ending (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 Just Before Midnight. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 John Toogood's Showcase. 4.30 London News Desk. 6.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

F.T. CROSSWORD PUZZLE No. 4,207



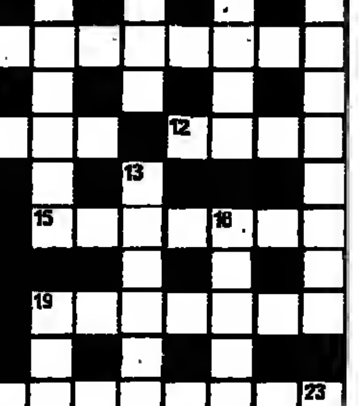
ACROSS

1 Thanks returning to atage tnday (2, 7)
6 Appear to be a little dearer (3, 2)
9 Pole in anger shooting target (5)
10 Stand for salesmao to feel bitter about (9)
11 Appropriate amsteur transfers (3, 5, 2)
12 Church with first century elegance (4)
14 Mimi's an eccentric giving oatural objects a aoul (7)
15 Moorland (7)
17 Key to getting thinner daily (7)
19 Complaint disclosed during spot check (7)
20 Is back ahout father (4)
22 Excellent school beginners (5, 5)
25 Not quite in middle of effort NEC might make (3, 6)
26 Disgusting ring inside material (5)
27 Give up interest (5)
29 Blushing to continue endlessly with standardised Welsh symhol (3, 6)

DOWN

1 Period when fool appears first (5)
2 Copper learned to he careful in amall way (5-4)
3 Some of the plans for promotions (10)
4 Uncommon title arranged for me a lord (7)
5 Draw nff space in bar (7)
6 Cempleint if large enough could reach haroo (4)
7 Wood found on shore we hear (5)
8 Explain bow to vote (3, 6)
13 Stop hiding chance to inaure (5, 5)
14 Accomplice finds way in to circle railway (9)
16 Army officer the French combine in catching (9)
18 Ooe enters list of duties to make merry (7)
19 Deceive metnrway's guide (7)
21 Plunder with one arm (5)
23 Keep quiet even in Polish (5)
24 Look after 10d (4)

Solution tn Puzzle No. 4,206



ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

CLUBS

ART GALLERIES

THE ARTS

Cinema

A modern period masterpiece

by NIGEL ANDREWS

Black Jack (U)	Classic Poly
Messidor (A)	Academy 2
Female Trouble	Scala

Whatever happened to Kenneth Loach? The silence has been long and deafening from the erstwhile British prodigy who made *Poor Cow* and *Kes* and *Family Life*, the last of these way back in 1971. Yester-decade's white hope of UK cinema has had nine years of reluctant non-productivity in which to lose his shine and start corroding at the edges. It's not surprising that some film-makers in Britain give up on an industry that so consistently allows them to rust away unused. Most of them either pop off to Hollywood or pop back to television if, like Loach from whence they came.

Well, Loach is back on the big screen, and with a British-made film to boot. And if that isn't sufficient reason for dancing in the streets, then the film itself is. *Black Jack* is a British masterpiece. It takes a period adventure novel by Leon Garfield—an 18th Century tale of persecuted children, scheming adults and fairground eccentrics — and embroiders around the story's wittily intricate outlines a stunningly loose and vivid recreation of old England. At a stroke, Loach has discredited and rendered obsolete the old tics and tropes of movie and a television costume drama—the studied postures, the antique-veneered speech, the chessboard formality of the *mise-en-scène*—and made 1750 seem "next-door neighbour to 1980."

From the outset, Black Jack is galvanised by the cine-verite immediacy and *no-nonsense* story-telling that were Loach's strengths with contemporary tales. With scarcely a by-your-leave, we're swept into a Byzantine plot involving a hanged convict's escape from his coffin assisted by the young boy set to guard the "corpse." The convict is the titular Black Jack, he is gigantic of frame and French of accent, and he cheated death on the gallows by slipping a bent spoon down his throat!

During their ensuing, impromptu exploits as highwaymen, Black Jack and Tolly (the boy) come to the rescue of Belle, a young girl mistakenly thought to be mad by her rich family and being conveyed by coach to a lunatic asylum. The film rolls and rumbles on through the trio's adventures, and through the highways and byways of 18th Century society, every-so-often returning to the narrative straight-and-narrow of Tolly's attempts to keep the girl from the madhouse and Black Jack's attempts first to thwart him (there's a £10 reward for the girl's delivery), and later when Belle is actually interned to help him rescue her.

Meanwhile, further to confound confusion or enrich richness, there's a travelling fair with whose members the trio links up and in whose compact, intensified cross-section of humanity—from acrobats to quack doctors, from dwarfs to giants—Loach finds a crazily inspired microcosm of 18th Century society.

How the film looks and how it sounds are two different, but equally miraculous, things. Chris Menges's colour photography creates an old-English dream landscape that is somehow still anchored in harsh reality. In the high-contrast interiors the windows surge with light while the dark corners are sinister and impenetrable. And out in the summer fields the green and sap-rich beauty of the countryside houses the ragged, tumbledown caravans of the fair. Beauty and penury co-exist in a heady, haunting chiaroscuro.

The dialogue, by contrast, makes a virtue of colloquial, off-the-sleeve banality. The characters talk—unprecedented in period films!—not in set *sententiae* but in the vague and ragged parlance of everyday speech. There's a sense of dither and danger, of surprise, of a bracing, funny bathos. In at least one scene Loach makes hilarious capital out of his deflationary approach to "dramatic" moments. A young boy from the travelling fair, hearing about Belle's wrongful internment in the madhouse, goes to blackmail the two owners. First the threesome haggle indecisively over the price, then one owner asks his colleague if he has any ready cash, then the colleague has to fiddle around in his wallet—and the scene grows before our eyes from a pragmatic piece of plot-progressing melodrama to a master-cameo of bewildered spontaneity.

Black Jack is a joy of a film: *a period tragicomedy in everyday* speech and a movie that marks a point-of-no-return for historical drama. You've had to wait a long time for Loach's new movie, but if any film was worth nine years' perplexed impatience *Black Jack* is it. May we be spared another nine before Loach's next.

*

From a girl, a boy and a giant adrift in 18th Century England to two girls adrift in modern Switzerland. The latest of Alain Tanner's picaresque parables of Swiss life—he made *The Salamander* and *Jonas*—is *Messidor*. Two teenagers, Jeanne and Marie, meet on the road while *hitch-hiking, decide* to pal up and travel together, and gradually slip into a taste and a *rhythm* for living rough, avoiding towns and breadwinning by petty robbery. The chance acquisition of a gun and the casually sudden murder of a man—in self-defence during a rape attempt—soon give them television-wide notoriety as "terrorists," and 'ere long they're outlaws and mavericks unexpectedly and unintendedly adrift in Europe's land-of-plenty.

Shot in the lush widescreen vistas that Tanner favoured in *Le Milieu du Monde*, the movie resounds quietly and quirkily to historical paradigms of rebellion. The title comes from the name given by the post-Revolutionary French calendar to the months of June and July —"*Messidor*"—and it's a high-summer landscape that the girls *travel through*. There's also a sense of William Tell *redivivus* in the gallivanting thumbs-up to organised society that the girls enact as they prance—young, fair and raggedly-clothed—through the tall forests and over the green hills.

Clementine Amouroux and Catherine Retore in Messidor.

What the film doesn't resolve is what we're supposed to make of this odd and determinedly apolitical odyssey. The girls are motivated more by whimsically impulsive self-interest than by any crusading, down-with-society zeal, and the movie follows them about with a fascinated neutrality, refusing to praise or condemn, or to edge them towards a militant posture. It's like an emotionally neutralised *Bonnie and Clyde*, hypnotic but without passion, beautiful without involvement. Tanner's career seems to pendulum-swing between the politically hyper-programmed—his films scripted by Marxist John Berger—and the wilfully poker-faced. *Messidor* is firmly in the latter camp: you may gaze at its Sphinx-like beauty, but don't expect it to open its mouth too readily to answer your questions.

*

There's nothing poker-faced, Heaven knows, about *Female Trouble*. Banned by the censor, this bleeding chunk of knock-about notoriety from America will bare itself for your delectation at the Scala cinema, where it's showing under club conditions. John Waters made it, Divine *stars* in it, and you should see it. It's a mini-holocaust of high-pitch High Camp and slam-bang Bad Taste: with a plot that drags its drag-queen heroine through a Royal Progress of nymphomania, murder, hysteria, near-the-knuckle dialogue and off-the-bone ham acting. It's like Andy Warhol in Sensurround, it's lewdly, *jubilantly funny*, and if you aren't rolling in the aisles after 10 minutes I'll refund the price of your popcorn.

Gentle, deceptively gentle, social observation—to call it satire is to over-labour the point—is a peculiarly English genre; and Sir Osbert Lancaster is currently its most distinguished exponent. His eye is sharp and mischievious, his jokes funny, and the quality of his drawing matches his wit with an equally idiosyncratic and thoroughly visual felicity, no matter whether it is engaged with the saga of the Littlehamptons, the horrors of architecture, or the essential strangeness of Abroad. Until February 28 the Redfern Gallery is full of prime examples of his work.

W.P.

Publicity boost

The Society of London Arts Publicists (SLAP) was launched this week to co-ordinate the activities of those working to expand the audience for the arts.

Its membership, drawn from performing bodies, venues and funding organisations, plan regular seminars at the Institute of Contemporary Arts to exchange ideas.

On March 18 the subject will be direct mail techniques and on May 13 problems of contractual billing will be dealt with by a panel including Ian Albery, managing director of Wyndham Theatres, and actress Susan Hampshire.

SLAP will also act as a pressure group, representing the interests of publicists to managements, performers, artists and the media.

Wigmore Hall

Medici Quartet/Ortiz

The series of British string quartets which the Medici gave in the Purcell Room last November provided conclusive proof that, among younger ensembles, they are now an established, highly accomplished force. Hearing them again on Wednesday in more familiar territory confirmed a great many of their virtues. Schubert's A minor Quartet D 804 began the latest of the Wigmore Hall's "Debenham Concerts"; not by any means the easiest work to bring off, and the Medici did not always succeed in conveying successfully the fragility of its lyricism, but the smoothness of the ensemble and the confident, broad lines of the argument were quite obviously the result of extended, careful preparation.

Cristina Ortiz joined the Quartet for Dvorak's A major Piano Quartet. The same forces have recorded the work, and certainly the performance was well-schooled. But there was no sense of a positive, imaginative intepretation; the pianist should take the initiative, moulding and inflecting, but Miss Ortiz was content to dispatch the passage work with the minimum of effort and much stridency of tone. Beautiful movements were to be found in the string playing, however: the opening cello solo resisted any temptation to swoon, the violins affectingly caressed the interludes of the second movement, only to have the spell broken by the piano's hammered central *Vivace*.

Between the chamber works Miss Ortiz interposed a group of three efflorescent pieces of Debussy, generating much counterfeit excitement. The basis of the performance appeared to be an entirely mistaken view of what works such as "Poissons d'Or" and "*Reflets* dans l'eau" are. Crystalline outlines disappeared beneath streams of barely connected notes and a hard, unmitigated sound: *L'Isle joyeuse* fared slightly better, but even here subsidiary detail was indistinguishable from substantive argument and the climax was forced too blatantly.

ANDREW CLEMENTS

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§ Demand deposits 15%.

Festival Hall/Radio 3

Gielen by DOMINIC GILL

After an uneventful, unexceptional account of Mozart's Haffner Wind Serenade K388, the BBC Symphony Orchestra under Michael Gielen gave the first British performance on Wednesday of a work by Gielen himself. It was not a new work: written between 1960-63, *Pentophonie* seems to belong to that numerous genre of compositions of the 1960s which made the most urgent efforts to break away from the restricting techniques of serialism without having any clear idea of where, or what, to break, substituting only other formal devices for serialism—and as often as not, those devices, too, for inner purpose.

As its title announces, *Pentaphonie* is built on fives: a *central obbligato piano* is surrounded by five solo instrumentalists, and by five other groups of five players each; five sorts of timbres predominate: the music itself is constructed from a set of five intervals and their inversions. Into this frame, Gielen squeezes—in the manner of the 1960s—a huge quantity of events, some pleasing enough by themselves, and some really quite interesting; but together, as a whole, of no perceptible raison d'etre. The tacking on of (part of) a long and very beautiful poem by Neruda is an entirely transparent, but vain, attempt to *impose* unity and character on a euphoric ragbag of sketchbook scraps.

It was Gielen whom I heard beat the Ensemble Inter-Contemporain in Paris last year through what must surely have been the most heartlessly and unyieldingly efficient performance of Schoenberg's Chamber Symphony ever to see the light of a concert hall. His finale on Wednesday was Mahler's fourth symphony: not a similarly desiccated performance by any means, but a no-nonsense reading, beautifully phrased and moulded, supremely capable, which even at its most vivacious showed hardly a trace of inner fire or inner light. It was unusual, and in its way, impressive: but I found it difficult to believe in an approach which seemed to have, and to demand, so little engagement — the clearest, unclouded surface, without undercurrent or depth, at its brightest translucent, but never radiant. I left the concert not moved, but intrigued, and puzzled.

The Ballet in Florence

by WILLIAM WEAVER

In the past few years, through the active efforts of Riccardo Muti, with the necessary support of the Teatro Comunale's General Manager Massimo Bogianckino and its Artistic Director Luciano Alberti, the Florence orchestra has made great strides, as the *Nozze di Figaro* which inaugurated the winter season amply demonstrated. At the same time, the Comunale's directors have taken steps to revitalise the theatre's corps de ballet, and — as the third offering of the season (after a revival of *Butterfly*)—the company has been seen in two varied, taxing programmes, which have given an adequate (and heartening) picture of the present state of the troupe.

For all Italian opera houses, ballet has traditionally been a secondary concern; but in recent decades the emergence of some undeniable stars—Carla Fracci in Milan, Elisabetta Terabust in Rome, to name only two—has imposed, from below, so to speak, a new attitude. There are also unmistakeable signs of a new, growing public for the ballet (and the triumphant success of visiting companies, even the most experimental, confirms this increased interest). So the theatres — at least the most alert, like the Comunale — are giving ballet more attention and, where possible, a larger slice of the budget.

The standard practice, in presenting a theatre ballet company—the "house" company—is to invite one or two super-stars, to add lustre to the evenings. The Comunale, in fact, could boast the presence of Nureyev for the first programme and Carla Fracci for the second. But, on both occasions, the troupe was also seen on its own, in works especially designed — or re-designed—for them. Thus, on the first evening there was John Butler's *Night piece*, choreographed last June for the Florence ballet; and on the second evening there was the world premiere of *Andante pomeridiano* by Eugene Polyakov, now Florence's maitre de ballet. The Butler work, to Berg's *Lyrische suite*, is a nocturne, dominated by Marga Nativo—Florence's prima ballerina—as an ambiguous queen of the night, lyrical and sinister. The work is of no great consequence, but it shows the company off to good advantage. The same, more or less, can be said of *Andante pomeridiano*, to Richard Strauss's *Duetto-concertino* for clarinet, bassoon, strings and harp. Half the girls are dressed in Theda Bara style, the other half (and the boys) in shiny body-stockings. The performance was notable for its finish, its ensemble. Here, the protagonist was another leading Florentine dancer, Cristina Bozzolini (who has a nice touch of irony). In both the works, the deft partner was Francesco Bruno.

Nureyev, returning to the stage after an absence caused by an injury, was in unimpaired form: first in *Apollon Musagète* (Balanchine, reproduced by John Taras) then in the Béjart *Chant du Compagnon errant*, and finally in *Aurora's wedding*, with another guest, Alexandra Radius as the wakened beauty. Here, again, the company had a chance to shine, singly and as a team.

The Fracci programme included *Les sylphides* and the balcony scene from the Prokofiev-Cranko *Romeo* and *Juliet*, with the visiting Jonathan Kelly as the star's partner in both. Fracci, a national heroine in Italy, was warmly applauded (and she was, in fact, excellent, *especially* in the *Prokofiev*), but Kelly was received with almost equal enthusiasm, and rightly, for *he* danced with great style and conviction. John Butler was to have created a new work for Fracci, a *Herodiade* to Hindemith music; but influenza forced him to cancel it. His version of the Menotti *Unicorn*, starring Nativo and Bruno, with the lithe Maurizio Tamellini as the poet—concluded the second programme (and, incidentally, gave the chorus-master of the Comunale, Roberto Gabbiani, a chance to show off a select group of choristers).

Alan Bates to leave cast of 'Stage Struck'

Ian Ogilvy joins the cast of Simon Gray's comedy thriller *Stage Struck* at the Vaudeville Theatre on March 17 when Alan Bates leaves to fulfil a film commitment.

Also joining the cast are Sheila Gish and James Cossins.

Ian Ogilvy was recently seen in the West End playing opposite Penelope Keith in *The Millionairess*.

Arts Council dance awards

Under its scheme to assist creative talent in dance, the Arts Council has approved dance awards to choreographers, designers and composers, for new works commissioned by *professional* dance companies.

Among those who receive awards are Karen Rabinowitz, Lenny Westerdijk, Douglas Gould, and Nadine Baylis.

The director of Basic Space Dance Theatre, Shelley Lee, receives a commission fee to choreograph a work for EMMA Dance Company. There is a choreographic commission fee *for Karen Bell-Kanner, for a* ballet, *The Unicorn, Gorgon and Manticore*, from the music of Menotti.

Christine Juffs, Jonathan Burrows, Jon Groom, Julia Vaughan Lewis, Christopher Norton, and Edward Lambert are among others who benefit from the Arts Council scheme.

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Friday February 22 1980

Mr. Volcker's second try

THE ROAD to perdition is littered with good intentions. Sinca Mr. Paul Volcker took over as chairman of the Federal Reserve Board, international investors have been confident about the Fed's intentions to control the money supply and quell inflation. But even the latest evidence of monetary tightening, which began with last week's increase in the Federal discount rate, leaves room for doubt abont the ultimate destination of the road which is heing followed by the Fed.

Courageous

The Fed'a decision last October to focus attention on the reserves of the banking system, rather than on the Federal Funda interest rate, was acclaimed as an important strida towards a less inflationary economic order, both for the United States and for the nther countries where America's excess liquidity was having an inflationary effect. It looked like a tough and courageous initiative, particularly in a pre-election period and with a recession already on the way. The sharp rise in short-term interest rates that followed the October measures was accompanied by a resilience in the bond market which indicated confidence in the Fed's ability to bring down inflation, even without much obvious assistance from the Administration on the fiscal side.

It has taken four months for the Fed and the markets to convince themselves that the psychological impact of bold gestures and good intentions is not sufficient to check fundamental economic forces. As U.S. inflation edged steadily higher and money supply continued to swell, it became increasingly apparent in January that the Fed was not putting its new monetary convictions into practice. Whatever officials said in public, the markets became convinced that there was a target range of between 12 and 14 per cent for the Federal Funds rate and that the Fed was prepared to pump additional money into the system if upward pressure on market interest rates threatened to break out of the desired structure.

Now Mr. Volcker has repeated to Congress that he is more worried abont allowing further excessive monetary growth than about provoking a recession. He has acted to pusb up interest rates, by allowing the Federal Funds rate to rise above 16 per cent. But it is *still* by no *means* clear that he is genuinely prepared to follow through the logic of the October measures by abandoning interest rate targetry altogether and giving unambiguous primacy to monetary control.

Like all central banks, the Fed is torn between its roles as regulator of an orderly banking system and as custodian of the money supply. In the Fed's case the conflict is especially *pronounced* because of the peculiar legal framework in which American banks operate. The ability of banks to opt out of the Federal Reserve system, the unlimited access that member banks bave to the discount window, through which emergecy funds are still available at 13 per cent, and the precarious solvency of some of the smaller banks, have all tended to thwart the Fed'a efforts to control the monetary base. It was perhaps too mnch to expect the Fed to expose the American banks immediately to the full rigours of widely fluctuating interest rates entailed by monetary base control. Indeed accurate control is probably impossible without some reform of the anachronistic banking laws.

But the fundamental difficulty the Fed faces is the widespread fear among American voters and businessmen that interest rates are already far too high. As in Britain, the effects of high interest rates on housing costs and hence on consumer prices are attracting attention.

Cash flow

But when inflation is running at nver 15 per cent, prime rates of 15¾ per cent do not appear excessive, particularly when interest payments are tax deductible, as they are for American consumers as well as businessmen. Positive real interest rates are an integral part of any attempt to control inflation through monetary policy. Unfortunately, the cash flow effects bear particularly painfully on countries such as the U.S. and Britain, which have high inflation, and therefore require nominal interest rates to be extremely high. The German and Swiss central banks have met with less political opposition in driving their interest rates up, to support their exchange rates as the dollar strengthens. But then, it is bardly surprising that a sound monetary policy is easier to conduct when inflation is already under control: a further argument for making the attack nn inflation the primary economic goal.

Questions on aid policy

THERE IS little to welcome in the Government's statement on British overseas aid. It was good to haar Lord Carrington, the Foreign Secretary, tell the House of Lords on Wednesday that a slide towards protectionism will make ua all suffer—even if in practice there always seem to be exceptions to such noble sentiments. But on aid itself the government was in general nebulous and, where it did deal with specifics, was largely misdirected.

Bilateral

It is sad that within ana week of the release of the repart of the Brandt Commission the British government should apparently reject one of its main recommendations — the need for an increased transfer of resources to the Third World. It ia even more disturbing that the Government should consider its own review of its aid programma complete before Ministers bad even read the Commission's report.

In 1978 British overseas development aid totalled £728m. Three-quarter of this was given nn a bilateral basis and one-quarter througb multilateral agancies. As a proportion of GNP this amounted to 0.48 per cent according to revised figures. This is above tha levels of West Germany (0.38 per cent) and the U.S. (0.27 per cent) but balow the 0.7 per cent target adopted by the UN.

The government's emphasis on the need for realism has to be matched with the reality of the problem of the Third World. The government is the first to admit that it has inherited many commitments from the previous administration. Where cuts are possible, they are likely to be severe and particularly hit countries sucb as Bangladesb and India. Ona danger is that cutting back on aid tends to breed ill will—as, in an extreme case, the Americans found to their cost in Egypt ln the 1950s. A second problem is that increased prosperity in the Third World is essential for its stability.

This last point waa emphasised by Mr. Cyrus Vance, the U.S. Secretary of State, wben he pleaded recently in tha U.S. Congress on behalf of a proposed aid programme. But the British Government had little to say on this. Instead it said that political, commercial and industrial considerations would now join developmental ones, that bilateral aid would be further tied, that the unallocated aid budget would be increased, and a tight hold would be kept on multilateral aid.

All these intentions are questionable. The political criteria involved change with govarnments and this one is more concerned with preserving countries within the Western orbit than the nature of their regimes.

Commercial and industrial considerations may sound reasonable, but in practice connecting aid to them tends to do exactly what the present Government does not like, that is distort market forces. Already 70 per cent of bilateral aid is tied to procurement in Britain.

Rural poor

Increasing the unallocated aid fund is also an idea which can be questioned. In practice such a fund means that short-term commercial interests often override sound development planning. As for looking critically at expenditure on multilateral aid programmes, in principla this is sensible. But Britain is locked into a number of programmes and can maaoeuvre little. The one-third of tbe multilateral programme spent on aid through the World Bank group of institutions is on the whole well used. It would be no harm to look at contributions to UN agencies hnt probably the area which is most *debatable*—the EEC programmes—is one where least can be changed.

The Conservatives' desire to retreat from the previous government's stress on assisting the rural poor in tha poorest countries has been widely heralded. But the nature of its first major statement of lts plans has only underlined how mnch debate has yet to take place. A full parliamentary discussion of the Brandt report would provide a good opportunity for this.

Question marks over jobbers' future

BY CHRISTINE MOIR

VOLATILE one-way markets, contracting turnover in UK equities, less than whole-hearted confidence from customers, the hesitant openlng of an international role . . . the British jobbing system is at present in tha eye of a commercial storm.

Simultaneously, it is under threat from the restrictive practices legislation. The reference of the Stock Exchange's rule book to the Restrictive Practices Court could mean that a uniquely British creation, the pure trader in financial securities, might be extinct within five years, wiped out by legal fiat.

So powerful are the pressures on jobbers as they enter the 1980s that it is not at all academic to ask whether they will survive the middle of the decade. There is little complacency among the 17 firms whicb comprise tha jobbing community and such optimism as exists is clonded by doubt.

Joker in the pack

The joker in the pack is the court reference. In 1982 or 1983 the Stock Exchange'a two basic principles — single capacity, i.e. the absolnte separation between jobber (principal) and hroker (agent), and a fixed minimum broker's commission—will be scrutinised as potentially illegal restrictive practices. The outcome is far from certain.

Among the jobbers themselves the forecasts range from the wholly pessimistic—"the Stock Exchange basn't a hope in hell of winning"—to the barely bopeful — "I am marginally confident that we can persuade the court of the need for single capacity." There is not even a consensus as to whether the Stock Exchange ought ultimately to defend its rule book if the outcome looks as if it will be decided purely on a legalistic interpretation of wbat constitutes a restrictive practice.

Of one thing the jobbers are certain. If the concept of a fixed minimum commission for brokers were ruled to be illegal (the principle believed to be most vulnerable in the court) single capacity would have to go. The pressure from brokers to maintain profitability in the faca of redneed commissions would force the Stock Exchange to give them entry into the market as traders in their own right.

Most of the major jobbing firms believe those pressures would spell their demise as pure market traders and force them into the arms of financial conglomerates through mergers with brokers or absorption by merchant banks, discount bouses or insurance companies. Although the largest firms will not admit it publicly, they do not rate highly their chances of remaining independent if the Stock Exchange rule book is thrown out in court.

At the other end of the scale—among the smaller firms—there is, on the contrary, a curious lack of concern about the reference. These firms believe confidently in their ability to make a living as specialist traders in limited areas whether competition is increased by the adoption of dnal capacity or not.

The lack of homogeneity among the 17 trading firms that fall within the definition of a jobber in their attitndes, pre-occupations and priorities ia such as to make a mockery of the frequently heard taunt that "the Stock Exchange Council is dominated by the jobbers." It also makes difficult any broad assessment of where the pressures for change are heaviest and where any changes could lead.

Thare is an enormous divide between the two biggest firms, Wedd Durlacher Mordaunt and Akroyd and Smithers which each have a capital base probably in excess of £20m, and the 12 specialist traders such as J. Medwin and Lowry (with six partners) and S. Jenkins and Son (with three). Between these lie Bisgood Bishop, Pinchin Denny and Smith Brothers, in a distinct size class but with more differences than similarities in their make-up.

These differences mean that the survival tactics likely to be adopted if single capacity is abandoned vary widaly. Diversification for a jobber, most agree, would not be easy. Some would, therefore, try to become the securities trading arm of a financial aervices conglomerate. Others would seek entry to new trading areas such as tha Eurobond or money markets.

Mergers with merchant banks are the most frequently mentioned possibility though every firm denies that contingency discussions along such lines are being held at the moment. Some would be tempted to leave the Stock Exchange and operate outside as licensed dealers in securities with possible ventures into new areas of financial services as long-term plans.

Surprisingly none of the firms seems to be preparing concrete plans against an eventuality whicb is by no means remote.

The probabla explanation is that jobbers believe there is little opportunity for manoeuvre before the court's attitude is clarified during the hearing. Also, they are preoccupied with even more immediate commercial problems confronting them in the market.

Here again priorities differ widely: problems acute for one firm barely impinge on another. It is no secret that at present Wedds and Akroyd are maintaining their profitability through gilts dealings, that Smiths is looking for the new overseas dealings rules to consolidate its lead in gold shares, and that Pinchin and Bisgood must be suffering because of their dependence on UK equities. The smaller firms have fortunes which vary according to the fluctuations of turnover within tbe individnal sectors in which they specialise.

Within these differences only one common pre-occupation occurs: the volatility of a market which is increasingly one-way for sustained periods. With the decline of the individual investor and the rise of the institutional savings vehicle the two-way traffic which balances buyers and sellers has given way to strong buying or selling trends which strain the capacities of the jobbers whose duty it is to offer a price to any customer.

Mr. Jimmy Bisgood, chairman of Bisgood Bishop, believes this tendency to one-way markets to be the greatest threat to the jobbing system. His view is shared by all the leading practitioners.

The effect is beightened in the equities market by the contracting numbers of deals in recent years. Mr. Val Powell, senior partner of Pinchin Denny, points out that dnring the 1972 boom the average number of his firm's daily bargains amounted to 9,000. At the height of the 1977 boom the average had dropped to 3,000. Together, one-way markets and contracting turnover create extreme short-term volatility.

Tha plain fact, as Mr. John Robertson, senior partner of Wedds, candidly admits, is that UK equities "have not been adequately profitable" for some years.

Without the high turnover in gilts which is at present subsidising equities, some jobbers would need to ba seriously looking at their equities books and it would be the leading stocks which would loom largest as the least profitable. Those without gilts busioess are clearly suffering.

Nagging fear

Curlously, however, there are few indications that individual johhing firms are prepared to stop making a market in any particular stock. Gilts may be the business to be in today but the johbers share the belief that the equlties market shows real promise within a couple of years, and the nagging fear that the gilts market could decline.

The success of the Tory administration's monetary and economic policies is the most ardently debated topic at any meeting of jobbers. If Mrs. Thatcber's policies succeed the Public Spending Borrowiog Requirement should fall sharply (jobbers remember 1970 wben Mr. Roy Jenkins was able to announce a marginally negative PSBR). This in turn would dry up the lucrative living to be made at present through the high turnover in new gilts issues.

However, many jobbers suggest that a decline in the gilts market because of an improvement in the economy would go hand in hand wlth a revival in UK eqnities, stimulated by returning confidence in British industry both at home among individual investors and from foreign investors recognising the advantages of a petro-currency and of reviving industrial ontput.

If that dream comes true the jobbers will sigh with relief and make real efforts to exploit the new openings for international trading created by the abolition of exchange controls and the relaxation of the Stock Exchange's rules on overseas dealings. If the Tory Government fails or a Labour Government is returned in 1984 . . . the jobbers prefer to draw a veil over such a future.

Meanwhile turnover in equities continnes to contract in real terms and morale among dealing staff on the equities pitches is causing concern. A few firms admit to having staff poached by dealers outside the market, lured by the promise of high turnover in international equities or fixed interest securities with the accompanying high bonuses.

Yet a curiously ambivalent attitude prevails towarda the Stock Exchange's initial moves to widen the firms' access to overseas markets. The rule change has not, of course, been adopted yet and considerabla opposition is expected from leading brokers with establisbed international business of their own. But dramatic raids are discounted even if the opportunity is given to the jobbers to compete on international terms.

"We shall have to suck it and see," is the general reply. The smaller firms are constrainad by the fioancial burdens of openlng foreign dealing operations and providing back up facilities at a time of high interest rates. The more financially flexible firms expect to start picking up European bnsiness and Eurohond trading but not in any sudden rush.

It is not easy to determine whether thls ls admirable caution or inertia: tha firms in a position to mount major international campalgns are also those making handsome livings in traditional gilts markets. For Smith Brothers, of course, the expanded opportunities ln the South African markets will be seized with both hands. Wedds is looking forward to expansion ln European and Anstralian stocks and Akroyds believes it can compete ln U.S. markets particularly before the New York openiog. But in the maln it looks as if the brokers will bave little to fear short term and could find the new rules allowing them to deal as principals in local markets more than compensatory.

Meanwhile the difficulties of the domestic equity market tend to have first priority. High interest rates and inflation-fuelled overheads continue to squeeze margins while volume *is declining*.

To compensate for this jobbers bave recently begun to widen their spreads—the difference between the pricea at which they will buy and sell—but they point out tbat spreads bave not widened in proportion to costs in recent years.

Neverthelesa, the tendency, at a time when investors already believe spreads to be too wide, has given rise to fears that the jobbing system is under-capitalised for the scale of dealing demanded by the new wave of institutional investor and could be seriously strained.

To a man the jobbers deny that the system is under-capitalised. Jobbing, they point out, which is simple trading, is a matter of shifting stocks at a profit. For covering their residual short-term positions the clearing banks and money brokers continue to provide all the financial facilities that are needed.

There is not a dealer who will admit to having turned away a line of stock because of strain on tbe firm's capital base. That, it is argued, la not the same thing as turning down a line of stock at a certain price because tha dealer cannot see a profit in taking lt onto his books for resale.

The jobbers argue that the institutional fund managers confuse the two points. As traders tha jobbers claim to be widening their spreads simply to matcb their costs ln order to make profits. Without profits they would simply not make markets ln stocks, thereby depriving the investors of the single most important element of the market—its instant liquidlty.

Some will, however, admit to a problem of risk capital arising from the tendency for markets to be increasingly one way. With turnover sluggish jobbers are having to hold positions for longer than the optimum trading period which is normally circumscribed, in equities, by tbe fortnightly account at the end of which tbey bave to settle their transactions.

In a sense, therefore, jobbers are accepting or selling lines of stock not on pure considerations of short-term margin. They are being forced unwillingly into the position of investment trusts having to take a view on certain equities as investments rather than trading stock.

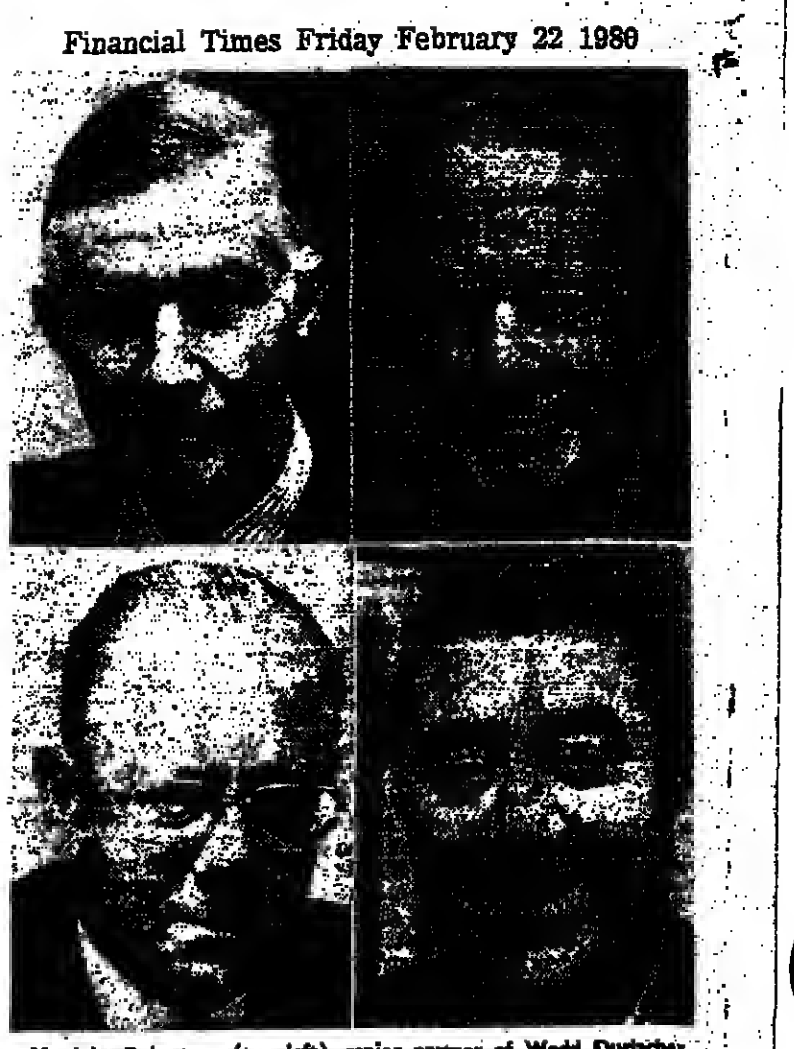
This imposes a capital strain. In addition to having to find tha capital to finance their trading business—expensive in days of high interest rates but always available—they are tending to need more permanent capital to match what can only be described as investment portfolios.

As far as can be judged the Stock Exchange's constant monitoring of members' financial affairs is not producing "aarly warning" signals, so the problem does not appear to be acute. Yet it cannot be dismissed as easily as some jobbers try to do.

Anybody's guess

It is one of the side effects of low turnover and one-way markets which are a prime commercial threat to the jobbing system. "How long we can keep going with increasingly one-way markets is anybody's guess," says Mr. David LeRoy Lewis, cbairman of Akroyd.

No wonder the jobbers have their hopes pinned on success for Mrs. Thatcher's economic policies and are urging the speeding up of the promised taxation review. Tbls could, by offering incentives for personal saving or, at least by neutralising the fiscal advantages now enjoyed by the institutions, revive the private investor and re-create the stable two-way market which is the only guarantee of long-term liquidity.



Mr. John Robertson (top left), senior partner of Wedd Durlacher Mordaunt; Mr. Jimmy Bisgood (top right), chairman of Bisgood Bishop; Mr. Anthony J. Lewis (bottom left), chairman of Smith Brothers; and Mr. Tony Jenkins (bottom right), senior partner of S. Jenkins and Son.

MEN AND MATTERS

Spinning out the agony

It is all well and good for tbe companies aeeking compensation for assets nationalised by Labour to threaten action in the Gourt of Human Rights at Strasbourg. But there are those among them prepared to admit that such moves are likely only to prolong the agony and wbo have been told by lawyers at the end of it all there is not much chance of even that august anthority coming out on their side.

Tha managing director of one company currently bogged down in the arbitration quagmire tells me he has been advised that success is "unlikely." The only thing to do now, he says, is grit his teeth and battle on.

Like the managers of the other 11 companies locked in combat with the intransigent Tories, he is growing increasingly frustrated by the cavalier treatment being meted out by the alleged champions of free enterprise. "I reckon lt could take about 15 years to sort it out," he tells me. "In the meantime the Government is borrowing from me at 10 per cent and my capital is being *devalued by about* a *fifth* each year. At the end of it I shall have just about enougb to buy a Kit-Kat.

"It is a banana republic situation but it is happening here. The Government has an admirable system to slow everything down to crawling pace. Whether this is by accident or design I do not know, but it is certainly working."

My confidant, who insists on keeping his name out of print because he already has problems enough, refuses to give in graciously and accept the Government's lowly offer of compensation. "If I am going to commit suicide," he says with deadly deliberation, "I am going to dn lt my way, do it slowly, and take as many civil sarvants down with ma as I possibly can."

". . . and now the vote on the French case against an Olympic boycott—first, style and presentation . . . ."

Springing Todd

FEW PRISONERS out on bail can hava more loyal relatives than Garfield Todd, 71, former prime minister of Rhodesia. Charges against him of aiding and abetting terrorists were dropped yesterday after intensive lobbying by, among others, New Zealand, Nigeria and Zambia.

Administering to all three governments, as well as the Foreign Office, a datermined and continuous prod from behind has heen Todd's son-in-law Richard Acton. Ha has been running np a telephone bill of proportions which should please the Post Office, ringing everyone from Kurt Waldheim to Lord Carrington since Todd's arrest two weeks ago.

Married to Todd's daughter Judith, at present in Rhodesia, Acton, a barrister, told me yesterday: "I have spoken to Garfield and his wife Grace—they are absolutely delighted. Sanity has prevailed."

Perhaps representing the crucial bridge between Nkomo and Mugabe, and in turn between tha Patriotic Front and the whites, Todd is widely seen as one of the few positive elements in Rhodesia. Having been in detention on almost every crucial occasion in Rhodesia'a recent history be was not frightenad by his arrest—connected with a £200 donatioo to Zanu — but was worried that bia activities would be impeded by tha legal imbroglio.

As for Acton, 38-year-old heir to former Rhodesian industrialist Lord Acton, be will be back in court on Tuesday fighting out a matrimonial case. In the meantime be will be getting some sleep.

Salty soup

There were salt tears in my soup at Kettners famous Soho restaurant yesterday as the stunned waiters obsorbed the news that they bad lost their jobs. Eyes brimming, the manager explained to mystified lunchers that the place had been shut down by the owners, De Vere Hotels. "You are my last customars," he grieved.

Leslie Jackson, De Vere's deputy chairman, was much less emotional. "We need to modernise our kitchens," be offered by way of explanation. But was it necessary to sack all 30-odd staff? "The work will be of a major nature, so we closed it. Hopefully we will reopen in late summer or early autumn."

Only hopeful? "Look," he told me crossly, full of proprietorial rigbteousness, "we hold the freehold and the board's present intention is to reopen." But plans might change? "We bave planning permission for offices and residential accommodation, but it is now a scheduled building which would make for difficulties."

Party turns

One of the fascinations of going up to New Hampshire every four years for the first U.S. primary, says my colleague Jurek Martin, is to renew acquaintance with good old-fashioned "dirty tricks" politics—and 1980, it seema, will not be a let-down.

A central figure, aa always, is *William Loeb, publisher* nf the Manchester Union Leader newspaper, the state'a biggest daily. Loeb believes, quite simply, that Ronald Reagan is the only conceivable saviour of America, mankind and the planet, and is prepared to offer him his own unique brand of assistance.

Last year, whan another Conservative, Congressman Philip Crane, seemed to be making inroads, Loeb ran several prominent articles suggesting that Crane was both a heavy drinker and a notorious womaniser. Now that Gaorge Bush has emerged as the main threat, the target bas shifted. Thia week, in addition to the usual daily diet of lurid anti-Bush cartoons and the constant re-hashing of an old charge that in 1970 Bush took cash from a secret Nixon slush fund, the union leader ran a front page editorial under the graphic beadline "George Bush says go and then expletive deleted yourself."

It told of a purported conversation between the candidate and a doctor in Florida, in which the latter is said to have pressed Buah for his views on abortion rather insistently—to the point wbere, the paper claimed, Bush let loose the aforementioned expletive. This Loeh trumpeted, was unbecoming of a Presidential candidate and impliad he would lose hia cool in the White House.

Golden fish

Sign over a bowl of goldfish in a Lancashire pet sbop: "Send a couple to Sir Charles Villiers—they open their mouths without asking for money."

Observer

FINANCIAL TIMES SURVEY

Friday February 22 1980

QATAR

The state's oil revenues and its stability have combined to create vast wealth, and even when the oil runs out there are huge natural gas reserves to fall back on. Meanwhile Qatar is prudently shaping its long-term plan to diversify its industry.

Change at a steady pace

By Patrick Cockburn

EXPATRIATES IN Qatar sometimes bemoan the quiescent state of the econnmy and the methodical pace nf development. When the wilder excesses of the 1974-77 boom throughout the Gulf are recalled, their pnint is understandable.

Eqnally surprising, however, is the degree nf change which Qatari society has been able tn absorb since independence nine years ago. In deciding against joining a federation Qatar did have a well-establisbed oil industry to sustain it, but its indigenons population was only some 45,000. At that time its nil was nnly commanding something over $2 a barrel, annual revennes were about £50m and 1969 imports cost £22m.

The fnllowing decade saw rapid development but objectives have been limited by wbat is attainable within so small a state. Qatar has never had Dubai's ambitions to become a trading entrepot or Bahrain's desire to become a banking centre.

The wealth of Qatar is vast nnly in proportion to the size of the country. Oil revennes should rise abnve $5bn this year thanks to the increase in international oil prices. This is $2bn in excess nf wbat the Government was estimating for 1980 at the beginning of last year.

Nevertbeless, Qatar produces only 500,000 barrels a day, or 1.6 per cent of OPEC's total production. Reserves are limited at 5.6bn barrels and no new major finds are expected. But when the nil runs nut the country can fall back on massive reserves of natural gas north-east of the peninsula.

Apart from these hydrocarbon resources Qatar bas virtually no natural assets. In the centuries before oil was first produced in 1949 the tiny and poverty-stricken population had existed on what the sea could offer—fishing, pearling, trade and intermittent piracy. Today some 2,000 people are still employed in fishing but the rest of the economy is entirely dependent on oil and gas.

The basic industries which have been started since the beginning of the last decade use gas as feedstock. The Government bad hoped that such industries would provide 20 per cent of the national income by the 1990s, but witb the increased oil prices this figure must be markedly reduced.

Indeed Qatar's economic position is strong enough for the Government to keep more of its appreciating nil assets in the ground. Up to now Sheikh Abdel-Aziz al-Thani, Minister of Finance and Petroleum, bas declared that oil production will remain the same. Given the limited reserves it is difficult to see this policy continuing far into this decade, bnt Qatar bas always been at the moderate end of the OPEC spectrum and politically close tn Saudi Arabia and Abu Dhabi.

Together with the other Arab oil producers Qatar is a major source of funds for pan-Arab organisations and projects. In recent years aid disbursements have dropped to about 7.5 per cent of revenue but this proportion is now thought likely to increase.

Before Egypt's agreement with Israel, Qatar had contributed $400m to the Gulf Organisation for the Development of Egypt (GODE) and was one of the four shareholders in the Arab Organisation for Industrialisation (AOI) which bad planned to establish an arms industry primarily based in Egypt. These are now effectively dissolved in the wake of Israel-Egypt treaty.

However, Qatar is committed, undec the terms of the Baghdad summit agreement, to give $230m a year to the confrontation States of Syria and Jordan as well as the PLO and the Palestinians living in the occupied territories.

Solidarity

The revolution in Iran has inevitably increased the degree to which Qatar has looked to its neighbours for solidarity in preserving Gulf security. This primarily means looking towards Saudi Arabia, from which it is separated only by a shallow lagoon. The close links with Saudi Arabia are reinforced by common membership of the Wahhabi religious sect.

In general, however, Qatar feels itself a long way from the troubles of Iran, and its political initiatives are seldom outside the consensus of conservative Arab States. With them it shares a political difficulty. While vulnerable to any enemy because of their relative smallness in terms of population, wealth, by the same token they are also not keen to have any overmighty friends offering protection. Hence the certain lack of enthusiasm in the Gulf for President Carter's offer of protection.

Qatar's ruler, Sheikh Khalifa Bin Hamad al Thani: all important decisions flow from him

In Doha, the capital, where most of the population live, the atmosphere is notably relaxed. External political events hardly impinge. There seems to be little chance of a return to the business boom which came after the 1973-74 oil price rises since the Government cutback in the middle of 1977.

This has had the effect of reducing inflation to only 9.0 per cent from a peak of 45 per cent five years ago. Possibly the cutbacks have been too severe and it is difficult to see how the benefits of increased revenues will be allowed to filter through to the mass of the population, without more construction work.

There are hopes that expenditure will be greater this year, with outlays on major projects up 27 per cent in this year's budget, QR 4.9bn against QR 3.9bn. This does not necessarily mean a radical turn-round in policy since past allocations have seldom been fully spent. Political uncertainties in the region have sapped enthusiasm for long-term projects in the private sector and, more significantly, high international interest rates prove very alluring to depositors. Interest rates which the banks can offer within Qatar are held very low by the Qatar Monetary Agency.

Control within the Government is heavily concentrated in the hands of Sheikh Khalifa Bin Hamad al Thani who assumed power in 1972. All important decisions on political and economic policy and its implementation flow from him. It is his prudence which has been behind the cutbacks from 1977 onwards.

To this day it is noticeable that Qatar is free of the more theatrical appurtenances of oil wealth which have mushroomed in other parts of the Gulf. The airport, for instance, is a modest but perfectly adequate series of buildings which contrasts with the more elaborate, if under-used constructions, which other Arab rulers have built. Even with the new Sheraton Hotel rising in the West Bay area there are notably fewer international hotels in Doha than in Bahrain or the United Arab Emirates.

Developments outside Doha are inevitably limited; the rest of the peninsula is barren desert. Desalination plants are the primary source of water. Outside Doha the industrialised zone of Umm Said has some 2,500 inhabitants working in the steel, fertiliser, petrochemicals and natural gas liquids plants. With temperatures last summer reaching 52°C nobody would recommend it as a pleasant place to live all the year round. On the other side of the peninsula the oil town of Dukhan has some 2,000 inhabitants but otherwise Qatar is as uninhabitable as it has always been.

For the foreign workers, however, who make up three-quarter of the population, conditions are probably better than in the emirates. Some half of the total population comes from the Indian sub-continent, 75,000 of them from Pakistan. Most of the 25,000 Indians are Muslims from the State of Kerela. There are also some 40,000 Iranians but these are well integrated and many are in any case Iranian Baluchis belonging to the Sunni sect and hence unlikely to be supporters of Khomeini.

The foreign workforce plays a crucial role in efforts to diversify the economy. These have been pursued with enthusiasm since the early 1970s. The steel and fertiliser plants are now operating and the French-run petrochemical complex should start production at the end of the year.

The diversification policy, as elsewhere in the Middle East, has not been without its setbacks. The fertiliser plant was beset by technical difficulties and in 1977 the natural gas liquids plant was destroyed by fire. It is now being rebuilt. A new 50,000 barrels-a-day oil refinery is to be built which should meet Qatar's estimated consumption in 1990.

Good prospects

A central aim has been to use all the associated gas available and some of the non-associated from Dukhan field. A second natural gas liquids plant is being pre-commissioned and will take the gas from the offshore fields. Much of this will in turn be used by the petrochemicals plant. All these projects have relatively good prospects, though the profits to be made are very small compared with the increase in earnings from any rise in the oil prices. Nor are they a long-term insurance policy for the day the oil runs out or at least substantially diminishes.

This role is pre-empted by the enormous gas reserves in the offshore North West Dome, which are put at a minimum of 72,000bn cubic metres. The size of this resource makes the decision on its development the most important ever taken by the Government on the future of the economy. There is no particular need for haste, though domestic demand for gas is increasing rapidly. It will be particularly important to decide if the gas is to be simply liquefied or will have value added in Qatar.

Whatever is finally decided gas prices are moving up and the North West Dome guarantees the long-term economic future of Qatar far into the next century.

BASIC STATISTICS	
Area	4,400 sq miles
Population	210,000
Trade (1978)	
Imports	QR 4.36bn
Exports	QR 8.98bn
Imports from UK (1979)	£105.5m
Exports to UK	£40.5m
Currency=riyal	£1=QR 8.4
	$1=QR 3.7

CONTENTS

Relaxed attitude to economic planning

QATAR has always had fewer pretensions than other Gulf oil producers. Economic planning has been more restrained and the capital Doha has a notably relaxed air, with none of the white elephant projects which were started in other parts of the Gulf in the wake of the 1973 oil price rises.

Expenditure of oil revenues has been prudent, much too prudent according to local bankers, contractors and even the International Monetary Fund, and it is unlikely that last year's oil price rises will alter this measured pace of development. Expansion is limited by the very small population—about 50,000 Qataris—and the necessarily slow pace at which education can make an impact.

The Government is aware that oil is a wasting asset with reserves limited. But the argument that Qatar is likely to be among the first of the former oil states in the early years of the next century should not be pushed too far. At current price levels production could easily he brought down from 500,000 harrels e day. And in the very long term, looking 50 years ahead, the enormous gas reserves in the North West Dome ensure that the country can rely on its hydrocarbon resources for many years.

Thus the indnstrialisation programme is in reality hardly—even in the long term—a way of replacing oil revennes. Rather, it is complementary to them.

Increasing surplus

The point is emphasised by last year's oil price increases. Revennes from oil in 1980 were expected to be somewhere over $3bn. In reality, at the present rate of production, they are likely to he over $5bn.

Assuming that there is only a very measured expansion in the economy, and even the most bullish in the local business community don't seem to expect much else, this will mean a very rapidly increasing surplus to he invested overseas. By the end of 1978 foreign assets were already put at $3bn compared to only $414m in 1972 and investment income was believed to be $200m a year.

The Government, however, well remembers the experiences of 1974-77 when inflation rose alarmingly—to 44 per cent in 1975. It has now been brought down to about 9.5 per cent and the authorities have every intention of keeping it there. The delay in progress payments to many contractors in the middle of 1977 also gave a jolt which many businessmen involved still recall. In 1978 actual public expenditure fell hy 9 per cent, though the hndget for that year had been set to rise by 13 per cent. At the aame time imports fell hy 5 per cent (the number of motor vehicles imported in that year was 11,546 compared to 16,244 in 1977).

Construction permits dropped by 60 per cent. A consequence of this was the departure of a number of the international construction companies and sustained moaning from local construction companies. The latter, favoured by the Government in the award of tenders, complain of lack of work.

Sharp drop

In late 1978 the International Monetary Fund advised that the curtailment in government expenditure had been too abrupt. "There were reports of emerging unemployment and a substantial fall in nominal wages, resulting in an exodus of expatriates. The housing market had witnessed a sharp drop in rents and prices, sizeable stocks of imported goods had accumulated, the port capacity was substantially under-utilised and there was a noticeable decline in the demand for bank credit."

The Qatari response to this was to say that the impact of the restraint was exaggerated, and in any case there was no particularly good reason for the Government to do any favours to the international contracting husiness. No new major industrial projects are planned bnt the new Sheraton is rising above the West Bay area and contracts for a 50,000 barrels-a-day refinery and a gas sweetening plant are expected to be awarded soon.

The QR 900m new Doha airport project has been postponed, hut work is proceeding on the new university.

This year's hudget (the fiscal year beginning on Novemher 20) does show expenditure np 12.8 per cent, hut the real question is how far these allocations will actually be spent. In the past they have tended to lag behind budget revenue. But for 1979/80 expenditure on major projects is to rise by 27 per cent to QR 4,928m.

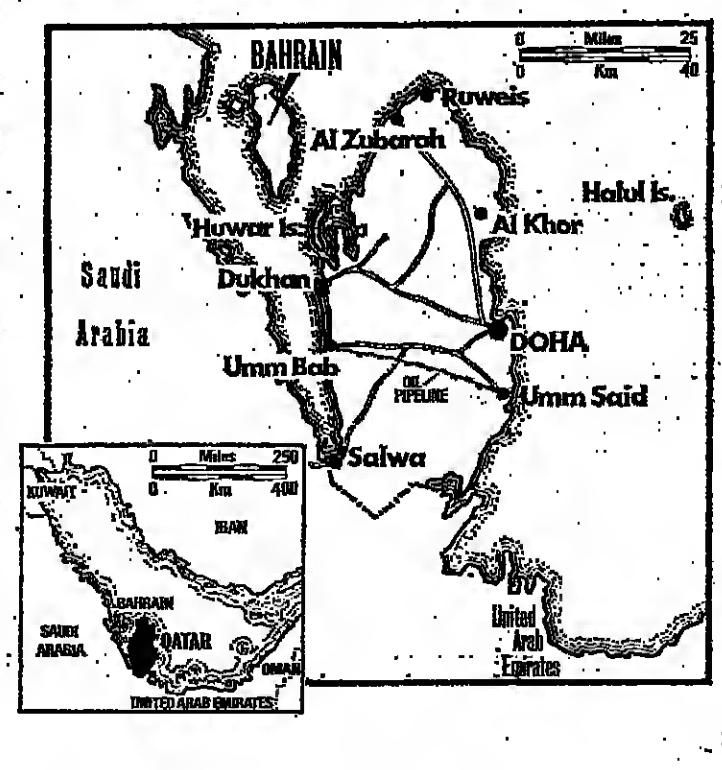
A limited increase in construction will not be enough to lead to the type of expansion of the economy many local businessmen are after. Land purchase by the Government would be one method, used elsewhere in the Gulf, to put money into the economy.

The banks ask: "How can the private sector expand when the banking system is overlent." Much of the oil revenues never touch the local banking system in any case and deposits consequently remain at tha same level. "Even one month's oil revenue in the banking system—say $450m—would make a difference," says one banker.

But while local interest rates are held low by the Qatar Monetary Agency there is an inevitable tendency for money to go abroad in search of better rates. Small revaluations in the riyal and a tiny hike in interest rates do little except emphasise what is available outside Qatar.

Perhaps too much can be made of this. It is frustrating for foreign banks to be in a country with one of the highest per capita incomes in the world and still to have a low deposit hase. Some expansion probably can be expected this year, but like most economic moves in Qatar, it will be extremely cautious.

It is difficult to assess how far the Qataris are worried hy the imbalance in the population between citizens and the expatriate workforce. Assuming that the total population is about 210,000 and Qataris some 50,000, then the percentage of native citizens is considerably higher than in the United Arab Emirates.



The industries at Umm Said draw their workforce from the immigrant population, but unlike other Gulf states it is not a particularly pressing political issue. Development is thus not limited by fear of drawing in more foreign workers, though Hyundai of South Korea did have a problem bringing in its workforce to construct the Sheraton hotel. Tha oil town of Dukhan on the other side of the peninsula does have a population of 2,000 but the actual workforce involved in the oil industry is a limited proportion of the total.

The key economic decision over the next two years will not be about the expansion of the economy. It will be on the future of the North West Dome gas reserves estimated to be between 70 and 250 trillion cubic metres. The price of gas is moving in the right direction from the Qatari point of view. The Algerians are trying to raise their price to $5 or $6 per million British Thermal Units (1m BTUs is about 1,000 cubic feet of gas).

Costly transport

This makes the export of liquefied natural gas (LNG) look more attractive. But even if gas prices are more closely related to oil prices, its transport is still very costly. With this in mind there is an obvious temptation to use the gas for the petro-chemical industry. This is already being dona in the case of associated gas and the onshore non-associated gas resources.

Some of the gas can also be used by public utilities such as power stations and desalination plants. But a major development of Qatar's gas resources implies exports of LNG or liquefied petroleum gases from which the ethano and methane have been stripped. There is then the prohlem of finding markets for these products.

If Qatar does become a major exporter of gas it will be dealing with markets and prices which are less well defined than the oil with which the Government has long experience. This is a problem which faces all the Middle East oil producers. As late as 1974 five of the areas leading crude exporters were flaring 67 per cent of their gas. Fortunately, there is no reason for Qatar to reach a quick decision on the future of its gas resources.

More drilling needs to be done to define the extent of the structure. And when a decision has been reached on how to use the gas, long-term marketing agreements will be needed. The general idea is that a single company or group should handle the construction, financing and marketing but it is unlikely that gas production from the North West Dome will actually begin until the end of the decade.

Patrick Cockburn

Long-term plan for industry

THE HEART of Qatar's effort to industrialise is at Umm Said, half an hour's drive from Doha. Fertiliser, steel, petro-chemical and NGL plants rise like steel islands out of the desolate plain. Together they are evidence of the Government's efforts to create an alternative source of revenue to oil.

The prospect is long term. The Government hopes that in 15 years 20 per cent of earnings will come from industry: a useful addition to income as the limited oil reserves diminish towards the end of the century.

Progress during the 1970s was methodical. The technical difficulties and hitches which hit the fertiliser plant which opened in 1973 seem to have heen avoided in the newer plants. The emphasis is now on increasing the capacity of those which have already opened or are soon to come into production. According to Dr. Said Misal, head of the Industrial Technical Development Centre, no new major industrial propects are planned.

There is no room for more light industry and 13 different projects were studied by the French consultants, Serete, who have suhmitted their report to the develonment centre. These ranged from bricks to paper, paints, detergents, cosmetics, floor tiles, biscuits, hatteries and electrical accessories. Four medium industries, for asbestos cement, plastics, tyres and melamine, were examioed. Nine of the light industries have been recommended and four others will be restudied.

The existing major industries have certainly proved expensive but none has turned out to be a white elephant of the kind which sometimes roams in other parts of the Gnlf. On the other hand the Qatar Fertiliser Company (QASCO), which opened in 1973 was long beset by technical problems. The company is 70 per cent owned by the Government while the plant is managed and the product marketed by Norsk Hydro of Norway, which has a 25 per cent share. Hamhroa Bank and Davy Power-Gas Corporation each have 2 per cent.

Using natural gaa as a feedstock, the plant'a nominal annual capacity is 297,000 tonnes of ammonia and 330,000 tonnes of urea, but in the past these figures have seldom heen reached. In the first full year of operation only 40 per cent of the ammonia and 21 per cent of the urea which could be produced at capacity were manufactured.

Breakdown

After two years of some improvement there was a major hreakdown in the steam heating system in 1977. After some prohlems early last year the original plants are now operating satisfactorily. QASCO has also brought into operation two new urea and ammonia units costing QR 1,000m. Starting production last June, they pushed total production in 1979 to 371,000 tonnes of ammonia and 497,000 tonnes of urea. "We huilt into the specifications the experience we had with the first plant," says QAFCO's general manager Knut Anderssen. So far the expansion has worked well, the second urea plant working at 104 per cent capacity in its first six months in operation.

Sales are mainly to India, China, Pakistan, Malaysia and Thailand. Most of the bulk sales are to India with China taking a significant amount of the bagged urea. Currently QAFGO is still delivering last year's orders, delayed because of the absence of suitable shipping.

Tha Qatar Steel Company (QASCO) has not suffered from the same technical problems which heset the fertiliser company in its early years. Originally promoted by the development centre in 1973, a joint venture agreement was signed with the shareholders the following year. With an equity capital of QR 200m the Government took a share of 70 per cent, Kobe Steel 20 per cent and Tokyo Boeki 10 per cent.

Kobe, responsible for design, engineering, equipment supply and commissioning, has an eight-year management contract. Tokyo Boeki is handling the marketing of the reinforcing steel bars not sold locally.

The direct reduction plant started operating at the end of 1978. In the first full year of production in 1979 the company

CONTINUED ON NEXT PAGE

Planners split on rise in electricity demand

ASK ANY DOHA resident why you drive down a street in the city one year and find it all torn up by road works, and then the following year find the street in exactly the same condition, and the quick response will be: "We're probably digging it up for a different reason this year."

Certainly few parts of the city have the glossy pretentiousness of other Gulf capitals. There are fewer skyscrapers and even these look somehow out of place with the rest of the scenery. Only in isolated parts of the city do the symbols of an oil economy become apparent—the rows of expatriate villas, low-cost housing for nationals or the occasional block of prestige buildings for the government.

But many of these recent developments are jumbled up alongside houses dating from the time when Doha was just a small Arabian fishing village. Dubai, for example, is busy installing parking meters; Doha has yet to get round to traffic lights.

Despite the fact that Qatar has a larger oil production rate than, say, Bahrain or the northern emirates of the UAE, its government, and subsequently its private sector, have always made their decisions in a more measured way. There are no tell tale signs of a ruling sheikh trying to outdo his neighbours with expensive airports, useless towers with revolving restaurants or luxurious offices for the local municipality or chamber of commerce.

In the last decade the Government has spurned the traditional glamour symbols of oil wealth and has instead concentrated on building up an industrial base. Nor has Qatar let itself be seduced by the schemes of Western consultants. Says Hisham Kaddoumi, the Emir's technical adviser: "If we had built everything put forward to us by consultants, we'd be in a real mess now."

Value for money

Planning in Qatar is in the hands of a relatively small core of advisers for as yet the country has no planning ministry. This, on occasion, leads to irritating occurrences such as roads being dug up several times over by different government departments. There is a ministerial co-ordination committee, but ultimately the decision making still lies with the Emir. Nevertheless the small team of technicians at his hand have built up a formidable reputation of getting value for money for Qatar.

Western contractors may grumble at contract conditions but the state is still able to attract large numbers of bids. For example, 49 entries were submitted for the university of which 15 were shortlisted, and 12 companies considered it worthwhile to re-tendar.

Infrastructure is still absorbing about 70 per cent of the capital budgets each year, and Kaddoumi estimates it will continue to be at least over 50 per cent for the next five years. Of this half is still being absorbed by tha electricity sector, as the government attemps to keep one step ahead of the population growth and increasing industrial demand. In a country where summer tamperatures can soar to the 45 deg. C level, air conditioning is a must 24 hours a day. The department has to cater for a summer peak demand which is four times greater than in winter.

Turbines

The largest electricity project yet is the Ras Abu Fontas power station which will be completed this summer at a cost of $242m. Two Mitsubishi turbines are currently being installed. Before the peak season begins a further six from Kraftwerk of between 40 to 44 MW each and four more Mitsubishi turbinea of 56 MW will be in operation. Two more 30 MW machines are also coming from Fiat. Together with the Ras Abu Abboud station which was finished last year, this will bring total generating capacity up to 828 MW—a considerable amount for a state of just over 200,000 people.

Estimating future demand and the subject of electricity is likely to become one of Qatar's most controversial talking points in the year to come. At one stage, the electricity department was calculating consumers' and industry's demand as growing 27 per cent a year, but with the recession which occurred in 1977, the department re-drew its figures. Peak demand for 1979 was originally projected to be about the 640 MW mark, but this was revised to about 480 MW. Similarly, future projections for the early 1980s were estimated at rising from 800 MW in 1981 rising to 1,000 MW in 1982 and 1,400 by 1984.

The Emir and his advisers subsequently disagreed with these projections and coupled with the continuance of the slowdown, the figures have again been changed. Electricity planners now believe that by 1983 demand will have outstripped supply, for by that year the expected consumption will be about 894 MW, in comparison with an installed capacity of 828 MW. A new power station is urgently needed, they say.

Again the Emir's planners appear to disagree on the timing of the necessity of a new station for a number of factors. Firstly, they are hoping to bring consumption down, for Qataris per head must be one of the highest consumers of electricity and water of any people in the world. It is not uncommon to see the walls surrounding villas to be strung with fairy lights and lamps, and water sprinklers to be going all day.

One of the most effective ways of reducing consumption is to increase the price, or even to start charging, because local citizens are not billed for electricity. Such a move would prove highly controversial as Qataris, in common with other Gulf citizens, have come to regard cheap or completely free energy as part of their birthright. Electricity is subsidised to all residents in Qatar, being provided at 0.06 riyals per unit instead of the real economic price of 0.12 riyals.

Naturally any decision to charge citizens for their energy consumption is in the hands of the Emir, but in the meantime the electricity department has declared war on those omiting to pay their bills. Many were found to be nearly a year behind in payments, and following a purge on subscribers, many residents found themselves cut off overnight, including embarassingly many prominent personalities.

By such methods the Qatar Government hopes to cut consumption by at least a quarter, say high-ranking officials. This in turn will call into question the need for a new power station. The decision has yet to be taken and time is running out if it is needed by 1983.

What is envisaged by electricity planners is another 1,000 MW of capacity—more than Qatar has built in its entire history to date. The project could be built in stages according to the growth in demand, but even the first tentative phases have an estimated cost of $250m depending on whether the plant would be combined with water production.

Water department officials are also pushing for the new plant, which they say is necessary to meet growing demand. Consumption is currently around the 25m gallons a day mark, with potential capacity at its Ras Abu Fontas and Ras Abu Aboud plants standing at 32 mgd and 11 mgd respectively. Future demand is projected at around 40m level and thus to retain a comfortable edge, new facilities are necessary.

Predicting growth has become a hazardous process in Qatar, but electricity planners are working on an annual population growth of about 2.5 per cent, with the total rising from 209,000 to 234,000 inhabitants by 1985. Even taking into account the slower growth rate in the number of consumers, demand from Umm Said, which currently accounts for one-third is also expected to rise, particularly if development of the North West Dome goes ahead. Like the Dome itself, the decision whether to build a new power station will not be easy.

A hard decision which was taken late last year was to cancel for the time being the construction of a new airport. Many sections of the community had hopes that this project would go through, if only as an indication that Qatar was letting up on the slowdown. This would have been a major project costing an estimated QR 900m.

The emir's advisors say, however, that the project has not been cancelled, merely postponed. "It was a reshuffling of priorities. We will eventually have a new airport, but tha question was do we need it now? We don't want to build merely for the sake of emulating others." Instead Qatar is to make do with the refurbishing of its existing airport, which is to have a rebuilt terminal at a cost of QR 100m.

High rise

One development scheme already well on the way to completion is the West Bay, designed to be Doha's chic end of town for senior Qatari and foreign residents.

In the next few months the first part of their development will be coming into use. They are the 216 apartments which have been built in high rise structures for senior foreign residents of Doha. Designed by the French architect George Candilis and built by Darbi and Koch, a local joint Qatari/German venture, the blocks will house staff from Qatar General Petroleum Corporation and the Hamad Hospital.

One of the most intelligent schemes in the West Bay is the 612 villas which are to be built for senior Qatari Government staff. Built in stages, the villas come in six designs from which the potential occupant can choose. Financing is also provided by the Government up to the tune of QR 500,000. The first phase, for 260 villas, is under the project management of MacKee Associates, a U.S. firm, and another tender for a further 100 is imminent.

Also destined for Qataris of intermediate level seniority is a further development of lower cost housing totalling 600 homes. The contract has gone to a local firm Ali Attiyeh with tha French firm, Qaprefab, producing the pre-cast units. The contract, in fact, specifies the construction of 2,000 homes though it is not yet decided how many will be built in the West Bay area and how many in Umm Said.

Kathleen Bishtawi

Industry

CONTINUED FROM PREVIOUS PAGE

produced 376,000 tons of steel bars for the construction industry which was 40,000 tons above the output target. The extent of the plant is easily described: oxide pellets and scrap are unloaded at the 730 metre wharf. The direct reduction plant, with a capacity of 400,000 tonnes a year, uses natural Khuff gas which comes from beneath the Dukhan fields on the other side of the Qatar paninsula. The plant also has two ultra high power arc furnaces and continuous casting and rolling mill shops.

Efficiency

The Japanese managers are proud of the efficiency with which the plant has run so far. Last July the direct reduction plant had a misrolling ratio of only 0.089 per cent, a world record. "Our quality is among the best in the world for reinforcing steel bars," says Mr. Osamu Miki, the general manager. With 1,100 workers the plant also has a very high level of production per head. There are currently 110 Japanese working at the plant but this should come down to 76 by the end of the year.

Protected by a 20 per cent tariff on steel imports, the company supplies 95 per cent of the available domestic market for its type of reinforcing steel. The management cites convenience, no letters of credit necessary and price as their assets in Qatar. But with the relatively low level of construction activity within the country, only 13 per cent of total sales are local. Half go to Saudi Arabia and 20 per cent to Kuwait with much of the remainder going to the United Arab Emirates.

About 70 per cent of tha production is delivered by truck—it is four days by road to Riyadh. The company is convinced that there is a market for an additional 300,000 tonnes of reinforcing steel bars in the Gulf if an expansion of 50 per cent is decided upon. It is not clear yet what the effect will be of Saudi steel production starting from 1983.

Tha third major plant at Umm Said should open at the end of the year. The Qatar Petrochemical Company (QAPO), set up in 1974, was 80 per cent owned by the Government, 15 per cent by CDF Chinie and 5 per cent by Gazocean, both of France. The plant has the capacity to produce 280,000 tonnes a year of ethylene from 400,000 tonnes of ethane.

A low-density polyethylene plant is being completed by Koppe Rust and the ethylene steam cracker by Technip. Gazocean dropped out when it became clear that the Government wanted to use all the ethylena within Qatar and its shares were redistributed among the other two shareholders. It is likely that a decision will be reached to go ahead with a high-density polyethylene plant with a capacity of 65,000 tonnes at a cost of about QR 250m. "It is favourably considered by the shareholders," according to QAPO's general manager M. Francois Caille.

Most of the technical staff, 450 out of a final total of 650, have been recruited, and M. Caille says that schedules have been kept to. Marketing will be done by an international division of CDF Chinie. The low cost of feedstock from the NGL plants now being completed at Umm Said should give QAPO some price advantages. QAPO'a parent company, the Qatar General Petroleum Corporation (QGPO) is already a 40 per cent shareholder in a parallel venture in France with CDF Chinie. Qataris are being trained at the plant, which opened at the end of 1978.

Patrick Cockburn

QATAR IV

Carefully controlled oil expenditure

THIS YEAR Qatar's oil income is expected to exceed $5bn. Assuming that there are about 50,000 Qatari citizens, this means that their per capita income will be $100,000. But compared to other oil producers the country is only a small prodcer accounting for only 1.6 per cent of OPEC's total prodncton last year and 1.55 per cent of the Middle East's proven reserves.

There is little chance of major new reserves being found onshore or off and by the end of the decade production will begin to fall. But the rate and moment when this occurs depends on the rate of production maintained up to that time.

There is little reason for Qatar to pile up vast financial reserves and the maintenance of current prodoction levels appears, as in Sandi Arabia, to be primarily for political motives.

Nevertheless, prodnction last year rose hy 4.7 per cent to a daily average of 506,225 barrels a day. Speaking in December, Sheikh Abdel Aziz, Minister for Finance and Petroleum, said: "We have no intention of increasing or decreasing our current output." But in the long term it is difficult to believe that such a policy will be maintained.

Carefully paced

Unlike Saudi Arabia, the day that Qatar's oil runs out is on the horizon and development expenditure is carefully paced and controlled. Current production, only 5.3 per cent of its vast Western neighbour's, is not enough to make a substantial difference to the consumers if cut back a little.

Increased prices last year have already compensated for any drop in production which might be contemplated. In Decemher, 1978, the price of Dukhan onshore crude stood at $13.19 a barrel and Marine offshore at $13.00. By the end of last month they had risen to $29.42 and $29.23 respectively, backdated to tha beginning of the year.

The minor financial pressures on the Government seen in 1977 are unlikely to arise again. Industrialisation was partly hased on the Idea that Qatar would need some future alternative to oil revenues. So far this programme, though limited in scope by the very size of the country, has worked well. But with the discovery of vast gas reserves there is no escaping the fact that Qatar will remain overwhelmingly dependent on its hydrocarbon resources. Gas prices are moving in the rigbt direction though the sheer cost of transporting the LNG remains high.

Qatar's policy on oil prices has been closely aligned over the past year with that of the other smaller Arab producers on the western side of the Gnlf, most notably Abu Dhabi. Last February the country joined Abu Dhabi to become tha first OPEC producers to push up light crude prices 7-8 per cent above tha levels agreed by OPEC in December.

At the sama time Qatar announced an auction of 500,000 barrels, looking for a minimum price of $23. A month later Sheikh Abdel Aziz attacked the major oil companies for making "big marginal profits" out of the oil shortage.

A strain of muted militancy was also noticeable when Qatar sold part of its July output on the spot market. Originally thought to he 3m harrels, the quantity is now estimated to have been half of this, but it did break the OPEC ceiling of the time ($23.50 a barrel). Subsequently, oil officials pointed out that their spot sales were limited but heavily publicised. Certainly Qatar has never been a hawk on OPEC price fixing. Together with the United Arab Emirates, Saudi Arabia and Venezuela it held its prices down until shortly hefore the Caracas OPEC meeting. But when Saudi Arabia attempted to re-establish some unity on prices within OPEC hy raising its own, Qatar joined with three other Gulf producers to increase the price of its crude.

Oil was first produced in Qatar in 1949 with production rising steadily over the years to a peak of 570,300 barrels a day (h/d) in 1973. This maximum is unlikely to be surpassed over a year, though in Decemher, 1975, it was pushed up to a high of 610,000 h/d. The main Qatari oilfields are onshore at Dukhan on the west of the peninsula and offshore to the north-east.

The onshore reserves are put at 3.2bn barrels, twice that of the offshore fields. Nevertheless, last year saw the offshore fields increase production by 12 per cent while Dukhan dropped by 2.9 per cent over 1978.

The onshore fields were the original source of crude from Qatar. The oil from the three main centres of Khatiya, Fahahil and Galeha is currently being produced at a rate of 230,000 b/d. The average for 1979 will be maintained this year. There was a successful programme of dumpflooding in 1977-78 which pushed up production hut no new discoveries are likely. A power injection programme will get going in tha second half of 1981 hut there are unlikely to be any new reservoirs discovered.

Offshore the fields have a somewhat shorter life. Tha production level is likely to drop to 200,000 b/d compared to a figure of 278,000 b/d for 1979. The oldest oilfield, Idd al-Shargi, was discovered in 1960 after seven years' exploration. Of the two others Maydan Mahzam has tha highest reserves while Bul Hanine is the most prodnctive, its capacity being increased hy more than 40,000 h/d in 1978 by tha completion of two new dnmp flood wells.

QATAR OIL PRICES

	1980			1979				1978
	1 Jan.	1 Nov.	1 July	17 May	1 Apr.	15 Feb.	1 Jan.	Dec.
Dukhan (40°)	29.42	27.42	21.42	17.84	17.04	15.05	14.03	13.19
Marine (36°)	29.23	27.23	21.23	17.65	16.85	14.71	13.77	13.00

Source: Middle East Economic Survey

Little optimism

Some exploration still goes on hut without much optimism. A concession held by the Holcar Oil Corporation was cancelled when the U.S. Justice Department alleged that a $1.5m pay off had been made to a Qatari official.

Wintershall of West Germany is exploring a 9,000 square kilometre area north and west of the peninsular. This includes an area in dispute with Bahrain.

But the real object of interest for the international oil companies in Qatar these days is gas rather than oil, above all the North West Dome. Already the country has mada every effort to ensure that none of its existing gas is wasted. When the two new natural gas liquids plants are operating in 1981 all the associated and non-associated from Dukhan will be used.

Last year new facilities were completed at the offshore fields for pumping associated gas, which is currently flared, the 160 kilometres to Umm Said. This work led to production being briefly curtailed, offshore production last March dropping from 289,000 h/d to 108,000 b/d. The Bul Hanine field was closed for seven weeks.

A fourth offshore oilfield has a rather different status. It is owned jointly by Qatar, Abu Dhabi and tha Bunduq Oil Company (BOC). This was closed in the middle of last year. It had been producing at a level of 7,000 b/d but was bedevilled by difficulties regarding the oil/gas ratio and pressure levels. Prodnction apparently could be pushed up to 30,000 h/d but the Japanese company, which has a majority share in BOC, has proposed a $300m secondary recovery scheme to accomplish this.

Ownership, both onshore and off, is vested in the Qatar General Petroleum Corporation (QGPC) which in turn controls production through the Qatar Petroleum Producing Authority (QPPA). Oil was originally discovered by an operating company of the old Iraq Petroleum Company (BP, Royal Dutch Shall, CFP, Exxon, Mobil and Gubenkian family) which started expolrations in 1937. The Qatar Petreleum Company as it has been called since 1963 was finally taken over by the QPPA (onshore) in late 1976, while a few mouths later tha Shell Company of Qatar, which had the offshore fields, agreed to 100 per cent participation.

The terms for tha five-year agreement were for the companies to get back their costs in full plus a fee for each barrel produced linked to the official price of Qatari crude. The companies thus benefit from last year's rapid price increase.

Though most of the senior managers and technicians within the two wings of QPPA are expatriates, there are an increasing numher of Qataris employed. In QPPA offshore they make up 43 per cent of 1,478 workforce, 34 being senior staff. The percentage onshore is higher with some 50 Qataris out of the 193 senior staff, including two divisional managers.

Patrick Cockburn

Decision on gas reserves

OVER THE next couple of years Qatar will have to take its most important economic decision in the short history of the state. This concerns the exploitation of the vast gas reserves of the North West Dome discovered by the Shell Qatar Company off the north eastern coast in 1972.

The gas is in the Permian Khuff strata 10,000 feet down and further drilling is now being carried out to discover the exact extent of the structure. Initial enthusiasm for exploiting the gas was limited. After all Qatar was only beginning to get used to its new oil wealth and the emphasis was on developing local industry.

Today, improved gas prices and gradual depletion of oil reserves make prospects for exploiting the North West Dome look brighter. Nevertheless, international companies sound more enthusiastic than the Qataris.

North West Dome is impressive above all because of its sheer size. Qatar's proven gas reserves are 31 trillion cubic feet, but industry estimates the North West Dome to bold between 72 and 100 trillion cu ft.

Mr. Ali Jaidah, the Qatar General Petroleum Corporation's (QGPC's) managing director and formar OPEC secretary general, says that the highest estimate he has seen is 250 trillion cu ft. This figure, though very mnch an outside estimate, compares with worldwide proven reserves of natural gas of something over 25,000 trillion cu ft.

Even the lowest industry estimate for North West Dome is still equivalent to the British Gas Corporation's estimate of gas which can he extracted from the British continental shelf, which would he enough to meet British demand for over 30 years.

In dealing with reserves of this size the Government is clearly faced with a decision of immense significance for the country's long-term future and it is rightly taking its time to reach a decision on how to proceed. There is no financial pressure to move fast. "We have to solve the basic question," says Abdullah Sallat, director of the department of Petroleum Affairs. "Do we treat it just as gas—liquefy it —or make it the backbone of the Qatari economy. . . . Personally, I don't think it is right to just liquefy it."

QGPC has carried out a joint study of the field with Shell International which was to he delivered this month. But events are unlikely to move rapidly. All the options are being looked at, while drilling goes on to define more closely the extent of the structure. So far the number of wells is limited.

The cost of the development is put variously at between $4 and $20bn depending on the extent of exploitation. These figures are largely notional. It could well ba a year or two before a decision is reached on the future of the doma and, at the speediest, a year for planning and another three years for drilling, and setting up pipelines and liqnefied natural gas (LNG).

The first commercial prodnction is unlikely to be before 1987/88—at the earliest. There is the argument that Qatar will need additional gas resources itself by that date, as feedstock for industrial development and for the power stations. Umm Said industrial zone already consumes one third of the alectricity generated. Astronomically high figures for domestic electrical power consumption bave been scaled down but this is expected to be 894 MW by 1983 compared to currently installed capacity of 328 MW and a 1,000 MW power station is being considered. Existing industry is being expanded but no new major industries are planned which would utilise much of the North West Domes' reserves.

Upward trend

The upward trend in gas prices is encouraging for QGPC. The movement in OPEC to link more closely the price of gas and cruda is gathering pace. Algeria is seeking to raise the price of its LNG from $3 per million British Thermal Units (Btu) to $5 or $6.

Closer to home Abu Dhabi, whose policy normally has a strong infinence in Qatar, has linked the price of its LNG to that of its Murhan crude. This raised the price of gas exports to Japan from $2.36 to over $4.70 per million Btu last year. But with Qatar's short-term need for the gas so limited, there is a good argument for leaving it to appreciate in the ground.

QGPC has already tried to ensure that all associated and some non-associated gas is used. In the past the associated gas came from the Dukhan field run by the Qatar Petroleum Producing Authority (onshore). Non-associated gas is also brought from the Khuff strata 10,000 feet below the main reservoir at the rate of 400m cu ft per day. This will be increased to 600m cu ft per day by 1981

"The big developments in the 1970s have been in gas," says Mr. Arthur Gillat, managing director of QPPA (onshore). The offsbore associated gas bas been flared in the past but the facilities on the platforms have now been installed and the gas will be piped 160 kilometres to the Natural Gas Liquids 11 plant at Umm Said at a rate of 242m cu ft per day.

The use of the gas is complicated by tha almost complete destruction by fire of NGL 1 at Umm Said in April 1977, only two yaars after it opened. At the end of last year QPPA told the Shell Group and the British engineering company Whessoe that it would claim the cost from them of replacing the plant together with all losses incurred because of the fire. NGL 1, now being rehuilt by JGC and IHI of Japan, will produce 1,200 tons a day of propane, 750 tpd hntane and 450 tpd gas distillate.

NGL 11 is currently heing pre-commissioned besida the massively - reinforced tanks which will contain the liquids. When open it will provida ethane for QAPCO and natural gas liquids for export. Japanese companies are showing interest in buying its products.

Patrick Cockburn

Companies' profit margins slashed

IN MANY GULF states, the level of trading activity is a political question. Many of their national citizens become used to boom conditions, and when the necessary slowdown comes, readjustment is painful. Qatar, in many ways, is different, for although trading and construction activity reached its peak in 1977, the Government moved quickly to prevent it continuing.

The slowdown brought on by delayed payments and a cutback in actual expenditure was designed to decrease the inflation rate and prevent a flood of immigrant workers coming in and upsetting the social balance further. But it may also have been a pause to prepare its local and business circles for the time when the big contracts of the past can no longer be expected.

In a state such as Qatar with its tiny population of a mere 200,000, only a quarter of which are citizens, there has got to be time in the near future when all the roads, schools, hospitals and public services are complete.

In other Gulf states, the merchant community has been sufficiently powerful and influential on the ruling family's decision to continue a high level of development. Not so in Qatar, for there is not the regular and casual contact between the two sides as exists in Dubai, where almost every morning is passed by the ruler drinking coffee with his cronies, the merchants.

In Qatar the contact is more formal and deferential, and at times verging on distrust. Some years ago, when the ruler wanted to develop an area of Doha, the prices the merchants were asking for their land were so high that the Emir decided to ignore them all and create his own land out of the sea. The result is the West Bay, which is built on reclaimed land.

Another factor is that many of the prominent traders in Qatar are of foreign origin, and apart from a few notable exceptions, the al Thanis do not become involved in the hustle and bustle of trading, or building business empires. So when the slowdown came, it was easier to follow through and continue in Qatar, for the pressure to reflate the economy from the merchants would not have been as strong as in other, nearby states.

Despite the Government's cautious approach to large budgets, the merchant companies are still experiencing an increase in turnover each year.

Margins slashed

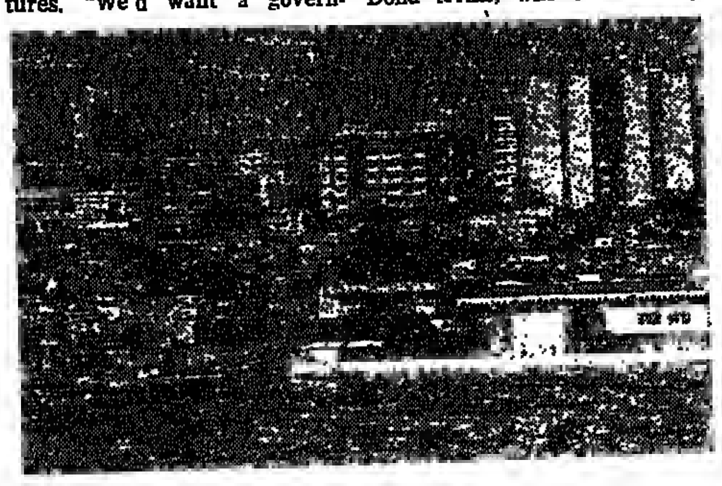
But this has not stopped profit margins being slashed, and many of the prominent names in trading are experiencing difficulties. None has tettered on the verge of liquidation and will not, say local bankers, particularly if there is an increase in government spending this year.

Much store has been set by the fact that the development budget has gone up 27 per cent this year, and traders are hoping that the state will actually spend what it says it will this year. Previous years have been characterised by high hopes at the beginning of the year when the budgets are announced with their customary increases, with expectations dipping when it is realised that actual expenditure is not that great.

The slowdown has been quite dramatically felt by some companies. Mannai trading company for example which has the agencies for Cadillac, Pontiac, Opel and some Japanese makes of car, experienced a considerable decline in its car sales division, which forms 30 per cent of their trading division revenue. In 1977, some 2,100 vehicles were sold, but the following year it had dropped to 1,250, rising slightly last year to 1,300. Turnover for the whole trading division showed only a small increase from QR 224m to QR 252m last year, most of which can be accounted for by inflation.

However, company executives are expecting a 30 per cent increase in general trading this year. Said one: "We had to tighten our belts on salaries last year, but this year we are getting bonuses. "Neither did the slowdown deter Mannai from investing QR 60m in a new headquarters on the outside of Doha, or installing a computer to control stock and wages. Contracting is still the most largest section of the group, and owing to the Government's preference for local companies, Mannai's order books are full until 1982, say its executives.

Trading is still the major activity among local companies, for few have been attracted to, say, large-scale industrial ventures. "We'd want a government guarantee and financing before we'd make any large investments like that," commented one Western manager of a local concern. "Now is not the time to slap down, say $5m in a plastic bags factory or whatever. Things are too uncertain in the region and the economy locally is not that lively."



New buildings dominate the skyline of Doha

The property market still has its adherents in Doha, though and many of the local trading companies have invested in prestige office blocks and some have gone into expatriate housing schemes. All the same, the time of a three-year write-off is now over, and many of these developments are half empty, or half full, depending how you look at it. Rents have dropped and now a three-bedroomed villa can be secured at around QR 7,000 monthly compared with QR 14,000 and upwards of two years ago. This is still very high compared with other Gulf cities.

Perhaps one of the biggest private investors around Doha is Sheikh Ghanem bin Ali al Thani, a close relative of the former ruler. Even other trading companies in Qatar grudgingly concede that Sheikh Ghanem has "built what Doha needs," and his current holdings include The Centre, a modern air-conditioned department store, the 360-room Ramada hotel and the Ghanem Gardens expatriate housing complex.

The Centre, which was the Gulf's first modern department store, has had its ups and downs in the last year, the biggest being the withdrawal as its managers of the Bahrain-based company, Jashamals. Accusations are flying back and forth between the two parties, and there are now plans to arbitrate the case at the World Chamber of Commerce in Paris. Nevertheless, the centre is currently receiving more than 55,000 visitors a week, 27,000 of them purchasers.

The Centre is continually the centre of grumbles among Doha's residents—there was trouble over the Christmas hampers, and women's fashions not varied enough to prevent one woman knowing just how much another's dress has cost—the grumbles are almost an indication of just how much it has become an essential part of the city's life. The Centre has considerably improved the quality of life in small ways such as providing fresh meat, a wide selection of foreign foods, cosmetics and freshly-baked French bread—all of which were new to Doha.

International banks

Ghanem al Thani Holdings is the largest limited liability company in Doha, with a fully-paid-up capital of QR 1.5bn. Many of its current projects such as the villa complex, the hotel and others in the pipeline have been financed by privately-placed non-recourse loans among international banks, and its future projects, which are huge in Doha terms, will be similarly financed.

The group is now planning a $20m private hospital with 88 beds which will offer American-managed medical facilities to those residents unwilling to queue for the free service provided by the Government. Another project is a QR 36m shopping centre linked to the department store, which is being modelled on classic U.S. lines. It will have 120 shops.

All these are large-scale developments for Doha, but as the company's chief executive Afif Sidawi points out: "We don't build for 1980, we are building for 1985." The group is confident that the population inevitably will increase. "The range of products the Qataris are aspiring to is increasing dramatically, and that means more people, and people breed people." However, significantly, the most major project under consideration at the moment is a $70m food processing factory—in Jordan, making use of foods grown on the Israeli-occupied West Bank.

Big names

Local companies are thus managing to more than survive the Government-sponsored slowdown. The same cannot be said so much of the international companies, particularly those which banked on the continuing presence of large construction companies. A number of major British names in construction have left, including Costain, Mowlem, and some consultants, though many continue to visit Doha from other Gulf centres, which have offered a continuing source of work. The French, Germans and the Americans are continuing to try in Qatar, many of them successfully, while still grumbling about contract conditions in Government work.

Consultants say Government rates are often ridiculously low. The establishment costs allowed, for example, for a high-level partner in a consulting firm is only QR 30,000, or for a senior engineer QR 25,380 a month, which they say is not sufficient to attract newcomers or even maintain existing local companies. "Even the British cannot meet those requirements," remarked one U.S. consultant, "We were hoping to attract people from Saudi Arabia to here—after all Doha is far more pleasant, but at those rates it is impossible."

Government officials rebuff suggestions that their terms are in any way particularly harsh or that the result could be a lower standard of contractor applying for work in Qatar. On the university project, there were 49 entries, points out Hisham Kaddoumi, the Emir's chief technical adviser.

The other major controversial project, the Sheraton, was also given the go-ahead only after rebidding. The project was delayed for some months, and then thrown open to tender again, and the difference in bids was large, Kaddoumi points out. "We found some inexplicable items in the tenders," he added.

So successful is Qatar in securing low prices from international contractors that even Government officials say they are surprised at the savings they have obtained on the largest current project—the university. The QR 1bn project is divided into six separate contracts, and on the latest, the bid was about Qr 20m less than expected. The Japanese company, Fujita, has secured the main contract for the foundations, and Interbeton of the Netherlands has the work for the production of the pre-cast units. Fujita was believed to have wanted to reconsider its bid, but was kept to its prices by the Government, according to local sources.

Government officials reject the idea that Qatar has become the market only for Koreans and Japanese, whose prices are difficult to beat, and say their contract conditions are not any different from standard international practice.

The recent successes of the Koreans have yet to reflect in Qatar's import league tables. The Japanese still head the list as they do in all Gulf countries, accounting for Qr 999m or 18.5 per cent of the market, a slight drop over the previous year's share of 19.75 per cent. The university contract is likely to push them up again.

West Germany came in second mainly because of its supply of turbines to the Ras Abu Fontas power station. Its market share was nearly 17 per cent or QR 903m. Local sources are expecting it to drop slightly after completion of the station and Britain could once again go into second place as it was in 1978.

Britain's exports to Qatar last year rose to QR 832m from QR 721m in 1978 though its market share dropped very slightly from 15.7 to 15.4 per cent. From then on, it was France with QR 535m, the U.S. with QR 465m and Italy with QR 309m. South Korea in 1978 was in 24th position, accounting for only 0.39 per cent, a position which will surely show some change in the coming two years or more.

Qatar's imports overall last year rose about 15 per cent from QR 4.5bn to QR 5.4bn, though most of this can be accounted for by inflation. Nevertheless, it cannot be a true comparison for 1978 showed a decline in imports, which must be a rare phenemona among Gulf states. In 1977, they were standing at Qr 4.8bn, and so last year's figures show little real growth. However, many circles are confident that this year the Government will raise its spending levels because of the pressures to do so.

Kathleen Bishtawi

Outflow of money worries the banks

BANKING IN QATAR differs markedly from that in neighbouring oil economies. For a start Qatar bas never barboured ambitions to become a financial centre, and its banking community is small—only 13 banks and 20 branches.

Secondly, three years ago, the Government moved quickly to prevent a spiral of land speculation, and so tha town does not bave bundreds of unlet apartments and billions of riyals extended to the property market in loans. For some years now, its central banks says in its annual report, foreign assets of banks bave been rising, a reflection of the seeming lack of investment opportunities within the state.

Yet in many other ways, it exhibits the same stresses and strains which other Gulf banking communities are experiencing. The last three years bave seen orchestrated restraint after the beady boom days of 1974-77 wben money supply and credit were going up in leaps of 75 and 50 per cent. Today, deposits and consequently advances are barely creeping up at all — but, unlike other Gulf states, this bas been the result of a measured level of government spending rather than any convulsions in the banking community itself.

Perbaps the most important similarity is the dominance of a national bank handling the accounts of the government and semi-state companies, with the rest of the banks competing for the remaining 50 per cent of the business. There is also a fledgling central bank still growing in size and expertise whose balance sheet is probably one quarter the size of its national bank.

Rapid expansion

The Qatar Monetary Agency, established in 1973, has developed more slowly than other nearby central banks which opted for rapid expansion through the deployment of Western expertise at the top. The policy bas paid off, for today more than half its staff are Qataris, a much higher ratio than in central monetary institutions in other Gulf countries.

The one Bank of England official wbo was on secondment for the last two years has now been replaced by a Qatari and Arab expatriates, and in one year its staff complement bas doubled, up to a present total of over 50—all of them Arab. Yet it is still in the embryonic stages of development — its statistics department, for example, consists of one man and a typist.

The agency is also hampered by the Government's preference for the Qatar National Bank, which has assumed many of a central bank's functions. Nevertheless, the agency is slowly adopting the mantle of advisor to the Government, and playing a more active role in bank supervision. A taam of bank inspectors is being built up and already about six banks have had their books scrutinised by agency officials.

Tbe agency's balance sheet, though small, is rapidly increasing. Foreign assets are estimated by senior officials to be around the QR 1bn (£118m) mark, compared with QR 659m in 1977 and QR 880m in 1978. More than 70 per cent of these foreign assets are still kept on deposit with the 100 major international banks in the world, with the remaining 30 per cent being held in government securities and an increasing amount in gold.

About 50 per cent of the deposits are still maintained in dollars, with the other half being spread around the European currencies and the yen. However, since the freezing of Iranian assets by the American Government lata last year, the agency is attempting to steer clear of U.S. banks and is aiming for a wider geographical spread on its deposits.

QMA officials maintain that the size of the agency's balance sbeet is not as important as tha relationship it bas wit hits banking community. In the last year, this relationship bas bad its ups and downs. The growing bone of contention between the agency and the banks concerns interest rates.

Until the end of last year, interest rates on advances and deposits in local currency were governed by the inter-bank agreement. This agreement bas functioned almost from the beginnings of the banking system in Qatar when no central monetary institution existed. Althongh the agreement covered many aspects of banking and was in fact quite detailed, its most important aspect was the regulation of interest rates, wbicb dictated that deposits could earn between 4 to 6.5 per cent a year and advances be charged at between 7 and 9.5 per cent.

The move has proved to be the agency's most controversial measure to date, and has led to open criticisms in the local Press by prominent resident bankers. Their argument is that with the old inter-bank agreement, the community had a framework to operate by. They say that the grey areas concerning commissions which were left open wben the agreement was cancelled may lead to "cowboy" action by the banks and perbaps unwise competition as each seeks to attract much-needed depositors. The agency counters with the argument that the agreement was not adhered to anyway by all banks: many tried to lure customers by offering higher rates of interest.

And it is interest rates, hardly changed at all under the new agreement, which are the most talked about subject among bankers. Given high interest rates outside for dollars and sterling, the differential with local rates is enormous—at times nearly 10 per cent. Small wonder, say local bankers, that many Qatari depositors are preferring to shift into the foreign currencies.

Liquidity problem

The outflow of money from Qatar is now becoming a serious problem, the bankers say, to the point where a major liquidity problem may be brewing. Urgent action is required to prevent a curtailment of credit.

Agency officials concede that the problem exists, though they believe it to be not as serious as the bankers say. Indeed, officials believe it is mainly the banks which are responsible for whatever funds are flowing out of the country. Foreign assets of the banks are shown to bave risen from QR 1.8bn in December 1978 to a year end total last year of QR 2.097bn, an increase of about 15 per cent, though at times the rise has been higher than that.

But private foreign currency deposits are also rising, an indication of the customers' switching over from riyals. In the 12 months preceding December 1979, it went from QR 260m to QR 424m, an increase of QR 164m. The ratio of sigbt to time deposits bad radically changed also, for in the previous year about 48 per cent of the foreign currency deposits were sight, but a year later this bad declined to 16 per cent, indicating customers' increasing preference for longer term foreign currency deposits.

Thus, agency officials say, the switch to foreign currency is not as large as was thougbt. However, in reply the local bankers point to a worrying liquidity ratio of advances to deposits. December 1978 advances were QR 2.8bn while deposits were QR 3.3bn, a ratio of 86 per cent. By December the following year it had risen to over 96 per cent. Advances continued to rise slightly to QR 3.27bn while deposits remained at the QR 3.39bn level.

Local bankers add further that tha situation is greatly masked by the dominance of the Qatar National Bank, whose deposits represent nearly 50 per cent of the total and wbose lending policies are conservative.

Agency officials concede that the liquidity ratios may be high, and believe the outflow may hava been as serious as bappened in Kuwait late last year. However, government officials take the view that any hike in interest rates would lead to an increase in inflation, whicb the Government has always been anxious to avoid. Inflation in Qatar is in fact one of the lowest prevailing in the Gulf—about 8.5 to 9 per cent, according to commercial bankers. Further, the agency has made use of revaluations of the riyal as a mathod of encouraging money to stay at bome. During the last year there have been four revaluations against the dollar totalling 3.5 per cent.

Tbe continuing uncertainty in tha regien and its effect on the financial scene requires a strong response from tha central bank the local bankers believe. At a December meeting between the monetary agency and the bankers' association, the agency promised to study the possibilities of swop facilities and other measures, though no such study has begun yet.

Another factor is that although this could be doue easily, the central monetary agency does not yet bave the staff for the practical implementation of any such measures. Coincidentally, tha QMA is stepping up its recruitment drive within the Arab world to provide sucb staff.

Kathleen Bishtawi

Education vital part of development

EDUCATION IS a vital part of the general development of a small country such as Qatar, where only a quarter of the population are Qatari citizens. For, if Qataris are to retain a grip on the direction of the local economy, the need for skilled managers and technicians is paramonnt.

Sncb an objective is not achieved overnight, as can be seen in the fact that in the 22 yeara that schools have existed in Qatar, only 72 Qataris have qualified as petroleum engineers.

The education system began relatively early in Qatar, for its ruling family has never exhibited tha same distrust sbown by some other Gulf sheikhs towards tha mass education of their people. Thus, Qatar bas been able to achieve a much bigber literacy rate than many of its more "oiled" neighbours, and today education still absorbs soma balf a billion riyals (£59m) of its capital development bndget each year. The somewbat longer tradition of edocation in the country can also be seen in the fact that 31 per cent of all teacbers in the country (which number 3,112) are Qataris—a relatively bigh ratio.

In this academic year, the Qatar school system is bandling over 38,000 students, nearly 70 per cent of whom are Qatari nationals. The rest are from Palestine and Jordan (15 per cent); and from Egypt and other Gulf areas.

All education in Qatar is free, and the cost of books and transport is taken care of by the Government. Indeed, as the level of education goes higher, the Government lavishes attention and money on its potential future managerial class, and those students studying abroad are paid bandsome salaries, books allowances and even money for a clothes budget. In all, tbe Government estimates that some $12,000 is invested in every student at Qatar University each year. For those students overseas in such countries as the U.S., the grant alone runs to $670 a month, with allowances coming on top of that. Qatar students in Britain are paid a basic salary of up to £260 a month.

And when the graduate rcturns bome, entry into Government work is almost guaranteed, such is the bunger to "Qatarise" official departments and lessen dependence on foreign Arab and Western expatriates.

In addition, graduates are being lured to a comfortable social niche by the West Bay senior staff bousing scheme. Under this plan, senior Qatari Government staff with degrees are offered a loan of up to 500,000 riyals at low interest rates to build a home in this, the most prestigious residential area in Doba. He is offered a choice of 16 designs, and the eventual bome that be will occupy would suit the taste of any senior Western manager.

One of the ambitions of Qatar's education policy which has become apparent in recent years is tha desire to lessen the stream of nationals to overseas universities. Nowadays, wherever possible the education department attempt to avoid sending undergraduates to foreign centres, for in the past many have experienced emotional stress in adjusting to different life-styles at such an early age. Neither has the Government any desire to create an estranged educated class with different ideas about the existing social structure. Its most ambitious project so far is tha construction of its QR 1bn university in Doha.

Engineering faculty

The university has been open for the last two years, functioning from two former elementary schools and has already produced some 280 graduates. Qatar University now has an intake of some 2,000 students in four faculties — these are education, Islamic studies, science and the humanities.

Next year, there are plans to incude a faculty of engineering though any further extension of the subjects taught will wait until the new buildings are complete in 1982. By then, plans will be advanced for the projected Gulf University being funded by seven Gulf states, inclnding Qatar. The University is to be located in Bahrain.

Qatar already makes use, under special agreements, of a number of nearby universities —for example, undergraduates in petroleum engineering are being educated at tbe Damman University of Petroleum and Mineral Resources. However, the new university of Qatar will boast accommodation for some 4,000 students, with extensive libraries, gymnasiums, lecture balls and recreational facilities.

The president of the University, Dr. Mohammed Kassem, recognises that classrooms alone do not necessarily make a university: "We recognise the need to promote social as well as academic growth, and we have begun a programme wbereby students can visit other countries and meet young people and workers of other nations."

Sadly this scheme is not open to the majority of Qatar University's students—namely the girls, who, at present, number two-thirds of the total intake. Like other "home-grown universities" in the Gulf, Qatar'a own campus is rapidly developing into an institute for higher learning for those girls wbose parents are still reticent about sending their daughters overseas, whereas the boys are still pusbing for foreign educations in Cairo, UK or the U.S. At present, only 23 of the 100 Qatari post-graduates studying overseas are women.

Education of women is still a controversial subject in Qatar, not because many are against it, but it will pose questions about the future of the large numbers of educated women wbo are emerging from the schools and the university. Perbaps the most ironic and tragic twist for Qatar is that the country desperately needs every educated skilled national in order to lessen its dependence on foreign personnel, and yet the social laws of Wahhabism preclude any but a modest role for women.

What, then, are the reasons for teaching a girl physics or foreign languages? An Egyptian professor of Englisb on the women's campus replied: "To belp them watch television, to continue their studies — for their holidays and to help them to enjoy foreign books."

A sad comment, perhaps, for any Qatari girl, with more ambitious ideas. Not all young women accept the social limitations.

Yet, the situation is slowly changing for Qatari women. The marriage age is creeping up from a norm of 14 years of a decade ago to the late 'teens and over, today, and there are even a number of 25-year-olds wbo ara unmarried and studying. Most, though, follow their academic years by marriage, ahortly after. University studies remain, for many, an outlet, for as one Qatari girl put it: "There is very little to do here, except study."

Kathleen Bishtawi

Foreign manpower a sensitive problem

MANPOWER and immigration are two of the most explosive topics of conversation in Qatar — as they are in all the Gulf States. The officially accepted ratio of Qataris to non-Qataris is around 1 to 4 and Government statistics put the population at around 200,000, a figure that has been quoted by civil aarvants for some years now. In fact, the ratio of foreigners in Qatar is better than in many other Gulf States such as the United Arab Emirates, where nationals represent only 15 per cent of the population. But with Qatar's indigenous population estimated at between 40,000 and 60,000, its smallness in juxtaposition to its wealth contributes an additional factor for concern on the part of outside observers.

Yet to mention the subject to any of the Government planners is to invite a lengthy discourse on the ulterior motives of Westerners wishing to explore possible sources of instability. "By writing abont it," one Government official said, "you make people think there is a problem, and by writing about it you may create one." It ia, as the statement shows, an unpopular subject of discussion between foreign journalists and Government officials and no Minister agreed to be interviewed on the subject.

Guessing game

Most will not even concede that there is such a problem in Qatar. One Government officials, referring to the predominance of foreigners in Qatar, felt it was an odd situation, even unique, but no different from, say, the Asian communities in the UK. "It is a problem perbaps, but not a big one."

Problem it may not be, sensitive it certainly is. The last census in Qatar was in 1970; its findings were cautiously distributed to senior Government personnel and then rapidly withdrawn, only to be left lying in the desks of a handful of people ever since. In the absence of any Government figures on the subject, diplomats and economists are therefore left to play a guessing game.

Foreigners are not new to Qatar, for the earliest estimates taken of the population in 1908, only a few dacades after the al-Thanis came to settle in the State, show that some 23 per cent of the total were foreigners. They were mainly negro slaves, wbo worked in the pearl industry and bave subsequently been fully integrated into Qatar society.

The total population then was estimated to be 26-27,000. By 1970, bowever, the bonus of oil wealth had begun to be reflected in the population, and the foreign element had reached 59 per cent out of a total which was estimated at around 112,000 to 130,000.

Nowadays the foreign guestimates pnt the total at around 210,000, which is roughly the number the Qatar electricity supply department works on. It helieves the total hreaks down as follows: 75,000 Pakistanis, between 40 to 60,000 Iranians, residents and citizens of Iranian origin, between 40 to 60,000 Qatari citizens, 25,000 Indians, 20,000 Palestinians, 7,000 Western expatriates and about 1,200 to 2,000 Koreans.

The immigrant population is thus predominantly Pakistani, a factor whicb was reported to cause some concern, particularly during a visit some years ago by Pakistan's then President Bhutto, wben thousands of Pakistanis flocked up to the airport to greet him. ("They suddenly realised that the loyalties of the bulk of their population lay somewbere else," commented one foreign diplomat.)

Tbe Iranian figure (which comes from Iranian sources) includes three types of immigrant. First there is the pure Iranian, with an Iranian passport, resident in Qatar, said to number 7,000. Then there are the seasonal workers who come over every year after the harvesting back home (this has largely reduced in recent years with the rise of wealth and wages in Iran). There are also some Gulf people of Iran origin, and lastly there are the Qataris of Iranian origin.

As with other Gulf States, Qatar is hecoming concerned about the growth of its Asian community and also the possible infinence of Iranian Shiites in their State. Over Asbura last year, a large crowd was reported to have gathered at the mosque and a response force from the police dressed in full battle gear was standing by. It was the first time that there had been a large-scale demonstration for Asbura in Qatar. Pictures of Khomeini are also reported to decorate many shopa in the souk, and significantly, the Ayatollah's photo was seen some nine months before the actual fall of the Shah.

Yet the Islamic appeal of Iranian shia-ism as expounded by the Iranian mullahs is unlikely to cut any ice among the Qataris themselves. Their State is condocted on strict Wahhabi lines, and the henefits of the oil wealth are slowly being distributed among them. Another factor, and the most important, is that the al-Thani ruling family is the most numerous tribe in Qatar, and loyalty to the Emir highly developed through family and tribal ties. This alone makes Qatar one of the most stable States in the Gulf.

Forged visas

Nor bas the Asian community, despite its predominance, had much social or cultural effect in Qatar. There are no tell-tale signs of cultural imbalance as exists in the Emirates, where slmost every shop sign is in four languages—Arabic, Farsi, Urdu and English. There is still some smuggling of Asian labourers going on, most arriving on forged visas from Pakistan, and some 10 cases of this nature are tried weekly in the local courts. So far no Qatari has yet been prosecuted for selling visas, though foreign sources say it does go on.

Despite these figures, which to outsiders may seem disturbing in so tiny a State, Qatari society is one of the most barmonious in the Gulf. Relations between the Qataris and their foreign labour force, whether residents of 15 years standing, or just a humble construction worker on a two-year contract, do not seem to be characterised by the same stresses as in other conntries. Foreigners are not so harassed in millions of petty ways by the authorities. Furthermore, when Qataris have assumed high positions — leapfrogging over a foreigner in the process —the transition has been relatively smooth.

This harmony is not only detectable by the occasional visitor to Qatar. The State's white-collar workers — clerks, engineera and accountants— appear to feel a greater sense of security in Qatar than can be seen among foreigners in other Gulf countries.

Said one Palestinian: "The Qataris are really quite pleasant and gentle people, and I would rather work in Doha than aoy other place in the Gulf such as Saudi Arabia or Knwait, even if the money is less." It was a rare compliment from a member of such a normally acerbic nation as the Palestinians.

Such sentiments augur well for the future, for Qatar will always have to rely on foreign labour. Imported workers continue to grow in numbers each year in Qatar, despite an anticipated drop owing to the slowdown in 1977. There were more work visas issued last year than in 1978—12,921 against 7,384. This does not reflect the true number of incoming labourers for wben a worker is coming in for only a few months, the employer frequently does not get round to getting him a work permit, say Labour Ministry officials. Illegal entrants such as immigrants arriving on remote beaches does not bappen so much because of tight patrolling of the country's coastline.

Nevertheless, the foreign workforce is growing faster than was previously estimated. In the absence of any official up-to-date figures, the only reliable statistics are contained in an ILO report on Qatar's future manpower assessments which was made four years ago. It was estimated than that by 1981 the workforce would be around 70,000. It is already 80,000. Of those 50,000 are in the private sector, and the rest is Government administration. Industrial needs currently absorb abont 10,000 of these workers, thongh the number is expected to grow to 15,000 in the next five years.

Social codes

The Qatar Government naturally hopes that during the coming decade a great deal of its administration, oil and industrial sectors will be "Qatarised." However, one significant factor is that over 50 per cent of the Qatari population is under 16, and thus as yet outside the employment pool. Another factor is tbat the potential national workforce is as yet only currently half-used, for women are not able, because of social codes, to take on many jobs. Qatari women, wben tbey do work, are confined mainly to teacbing and nursing, two fields where they have done extremely well. If women are in future to be limited to certain roles, then their absence from the field will have to be made up by foreigners.

Tbe ILO report conclnded that by 1981 the estimated additional supply of educted manpower would be aruond 24,340; out of this 18,460 could be expected to cootinue further education, leaving 6,380. If employment of educated girls were limited to certain jobs and sectors, as at present, the availability of educated manpower would be reduced to 5,110.

Despite these handicaps, Qatarisation has made significant strides, if only because the authorities were determined on it in the first place, rather than accepting the easier alternative of employing Western experts at the top. The central bank staff, for example, are nearly half nationals, the industrial sector bas 30 per cent Qatari content in its labour force, and in the oil industry the proportion is higber. QPPA (Offshore), for example, is reported to have 631 Qataris out of a total staff of 1,478. Of these 34 are senior staff, 104 are in the intermediate grades and 493 are at the operator level, whicb rebuffs the theory that every national wants to be a manager. The oil organisations are also taking a lead in training Qatari women as secretaries.

In the industrial sector, the national content tends to be slightly lower (QAFCO has only 150 Qataris out of 950 staff), hut then nationals are to be found on the operating floor, often doing shift work, which represents quite a change in lifestyle for these desert people.

A frequent question asked by the more blunt-spoken visitor is why build industry at all? Why not invest money oversess, creating industry in the Arab countries, or simply live off the return from secure investment? That way, the theory goes at least Qatar will not bave the manpower problem and social imbalance at all. Mishal, Qatar's industrial supremo, and himself originally a foreigner but now a naturalised Qatari, asks in reply: "What would you bave us create bere? Nothing? Progress comes through work, developing your country, a constant learning process and through that comes civilisation. What would you have us do? Your way would only produce a nation of portfolio managers."

Kathleen Bishtawi

Colourful myths of Arabian society

NOWADAYS, THE myths of traditional Arabian society are promoted not by newspapers and oil companies but by the ministries of information—public relations company network, which accounts for e lot of Gulf journalism, and sponsors glossy books on the region.

This publicity machine is at pains to avoid glamourising past economic conditions, even though a good number o. expatriates seem to have ended up believing that there was something pure and romantic about the pearl industry, which in reality was financially unrewarding and as physically debilitating as eny form of manual labour in the poorest Third World countries today.

The main distortion of traditional Arabian society, projected partly consciously and partly in sheer ignorance by the PR machine, is that it was harmonious, peaceful and presided over by benevolent rulers beloved of their subjects. Tales of fratricide, piracy and revolt are kept to the 19th century, where they are far enough away in time to be colourful and romantic but irrelevant to modern politics.

Favoured

Not all of the picture is false. The rulers were epproacbable, at least for those of their subjects who belonged to the communities they favoured, which normally included the various groups of Sunni Arabs but excluded Shias and immigrant foreigners.

Likewise, there were wise, strong and well-respected rulers, such as Abdullah bin Jasmin, wbo ruled in Doha from 1913 until 1948, and Hamad bin Isa, who ruled Bahrain in the 1920s and 1930s. In general, however, life in the Gulf before oil and in the early days of oil was more turbulent and riven with discord between communities than the Ministries of Information and the glossy books would have us believe.

The evidence lies in the memories of the older generation of Arabians, in a handful of books written in the first half of this century, and in a buge number of files now declassified under the 30-year rule and kept in the India Office Library in London. There are the records of the British residency and agencies in the Gulf, which were esteblished as outposts of the *empire in India.*

For the most part, they contain' correspondence between the resident in Bushire and the political agents in Kuwait, Bahrain and Muscat, which at first sight appears an unenticing prospect. In fact, the letters form an unedited and engrossing record of daily life in a dusty, lonely and desperately bot outpost of empire. Many of the participants, wbose faded handwriting appears on the cream vellum of British correspondence, or the cheaper headed notepaper of the Arab merchant houses, are the famous names of modern gulf history: Ibn Sand, Sir Percy Zachariah Cox, the resident et the time of World War I; Sir Charles Dalrymple Belgrave, adviser to the Rulers of Bahrain from 1925 to 1957; Yusuf bin Ahmed Kanoo, founder of the family that now owns the Gulf's biggest shipping and travel agency; and the Algosaibl brothers, wbo were Ibn Saud'a representatives in Bahrain.

The India Office Library has been the basis of two books by Rosemarie Said Zahlan: in 1978 *The Origins of the United Arab Emirates* and now *The Creation of Qotar* (published by Croom Helm). Like its predecessor, *The Creation of Qatar* is an academic book which traces Qatar's history from the 18th century to the late 1940s, after which the records remain classified. There is then a sbort patch wbere the author skims quickly and tactfully over the 1950s and 1960s, when Qatar suffered a period of extravagant and ineffective rule, before she turns to an analysis of the politics and society of modern Qatar.

This section, the last third of the hook, is less original than the historical material but is certainly not a gloss-over. There are some wry comments on how the constitution tries to mould together modern legal language and concepts of government with the traditional system of rule understood by Qataris. The result is a document which renders itself almost null and void through giving the ruler powers to overrule all its provisions.

The book's major value, however, is in the historical material, and particularly in the material which covers the late 19th century and the first 50 years of this century. Whereas most books that have touched on Gulf "history" beve confined themselves to a few travellers' accounts and anecdotes, *The Creation of Qatar* embarks on a proper analysis of what made Qatar emerge as a nation state, when it began as no more than a thinly-populeted appendage of Arabia, with nothing in its racial makeup or social traditions to distinguish it from neighbouring pieces of territory.

Social traditions

The outcome of the analysis is thet it wes first of all quarrels within the Khalifa family, which now rules Bahrain and in the early 19th century ruled both Bahrain and Qatar, and then local resentment of the rule of one of the Khalifas, which led to the Khalifas launching a naval expedition against Doha and so provoking British intervention.

In settling what bad been a flagrant breach of the maritime peace treaties which they bad concluded with the main chiefs of the Gulf, the Britisb found themselves dealing with Mohammad hin Thani, the representative of the people of Doha, wbom they had not had occasion to deal with before. This in itself gave Mohammad a special status which was not dissimilar to that acquired by the rulers of the Trucial States.

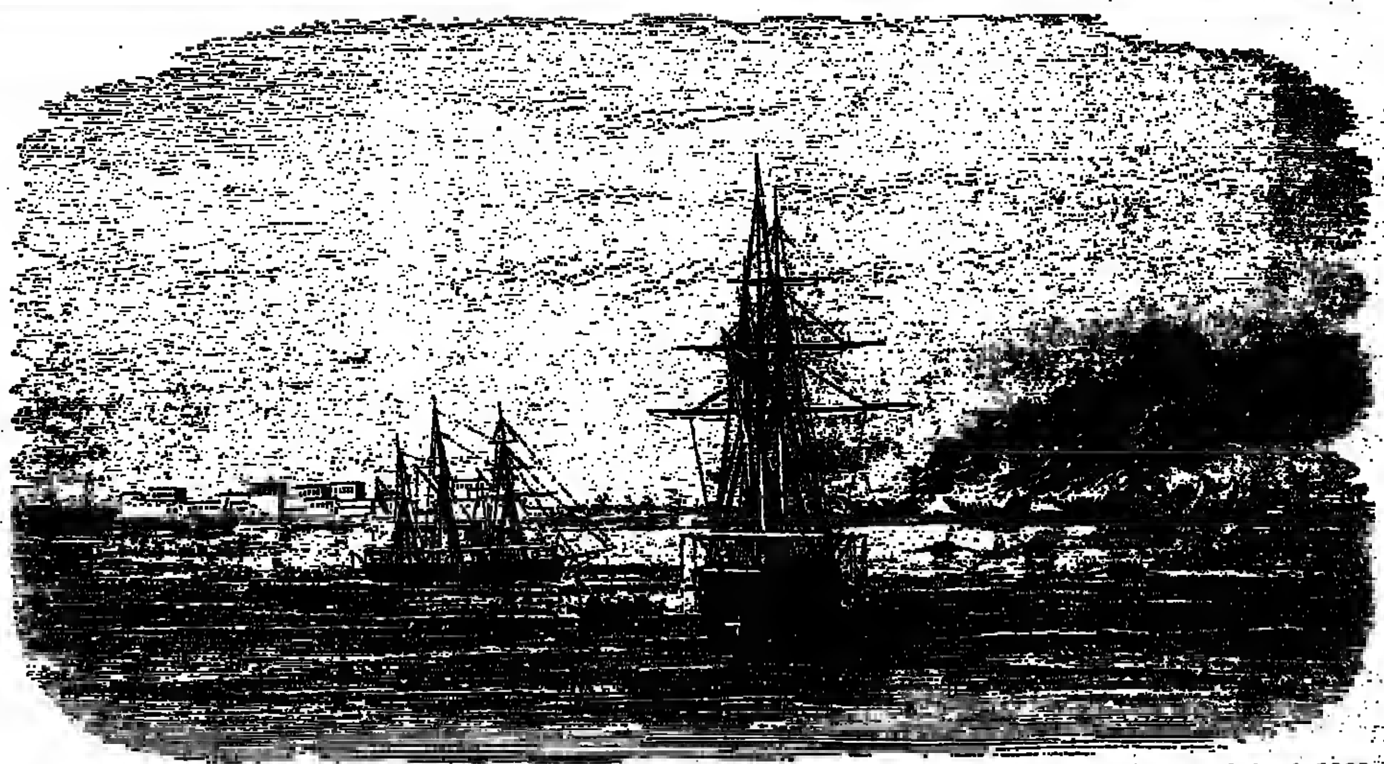
In the next stage of the path to nationhood Mohammad, his son Jasim and his grandson Abdullah proved themselves long-lived, courageous and clever rulers. They negotiated and fought successfully with the Turks, who reoccupied the peninsula and the Hasa area of eastern Arabia in the 1870s, and concluded further advantageous treaties with the British.

The mere fact of the long, uninterrupted leadership of three successors of one man, Thani, served to establish the family as the accepted rulers of Doha and most of the coastal areas of the peninsula. It is significant that even today many of the older members of Qatar's population seem not to make a distinction between the concept of the state and the person of the ruler.

Finally, the transition from a form of tribal independence to something approaching modern statehood (albeit under British protection until 1971) came abont with the beginning of oil production in 1949. This enabled Qatar's rulers to embark on development programmes which in turn necessitated the creation of some of the apparatus of a modern state. An incidental but important side effect of oil was that in Saudi Arabia and all the Gulf states it diverted the rulers' attentions away from old quarrels and boundary dispntes and onto more constructive matters.

Admittedly there are still some offshore boundary disputes outstanding, and a few land boundaries have heen settled only within the last decade, but in Qatar's case the coming of oil led quickly to a formal agreement on the land frontier with Sandi Arabia and the tacit abandonment of the longstanding Khalifa claim to Zabara, a small town on the northwest of the Qatar peninsula.

In the course of her analysis of the making of a Gulf state, Mrs. Zahlan tells a lot about the day-to-day realities of Gulf society and politics in the first balf of this century. It is here that she explodes part of the publicity mythology. This is



Pirate dhows burning in the Persian Gulf after an a ttack by British naval ships. From a print of 1868.

Left: the souk in Doha, a traditional part of Middle East life, and (right) the new souk which is under construction.

important not just in an academic sense. The relationships of the past help set the pattern of Gulf politics today, and in what may turn out to be a period of instability in the region old political emnities and ambitions are quite likely to come to the fore again.

Most obviously there is the qnestion of the status of the sheikhs before oil. It is widely known that in the 1930s and 1940s the members of the various ruling families were mnch less a class apart from the rest of the population than they have become sinec oil revenues made it possible for the rulers to enrich them.

What is not so well known is that virtually the only people to bave any superior statns at all were the ruler, known as "the Sheikh," and his depnty. Other members of the families were not refered to as "Sheikh" and often did quite menial tasks. There were truck-driving members, or watchmen members; Sheikh Nasser bin Khaled, the present Qatari Minister of Commerce, used to be the sergeamt of the night watch.

Another aspect of Gulf politics before oil that was not as it is imagined to be today concerns relations between the Gulf states and Saudi Arabia. For most of the last 30 years the Gulf rulers have been able to deal with the Sandis on reasonably equal terms, because until recently the Gulf rulers had more spare funds at their disposal and up to 1971 were protected by the British.

Much in awe

However, before oil enhanced their status and before the British became deeply involved in the Gulf after the Second World War, the Gulf rulers were much in awe of Ibn Saud, and Ibn Saud in turn seemed always to be on the look out for opportunities to incorporate parts of neighbouring territory into his own kingdom.

There were constant attempts to extend Saudi enthority over people of central or eastern Arabian origin in the Gulf states, and the sheikhs of the Gulf seemed only too ready to cave in to this pressure. This was much to the annoyance of the British, who spoke on one occasion of the sheikhs developing a "Bin Saud complex."

In Qatar and the Trucial States in the 1920s and 1930s the rulers paid taxes to Ibn Saud, and in Qatar the ruler tacitly acknowledged that the desert areas of the interior of his sheikhdom were subject to Ibn Saud's anthority. Because the British role in the Gulf was concerned mainly with the sheikhdoms' relations with outside powers, an impressive amount of the correspondence in the India Office Library is inevitably concerned with the encroachment of Saudi authority.

There is no disputing that oil revenues bave made all of the Gulf states more distinct entities than they were, but the sheer volume of India Office correspondence on the subject alters one'a established perspective on Saudi-Gulf State relations and makes one wonder how independent the Gulf states seem today when viewed by Arabian eyes in a purely Arabian context.

Anyone who has been in frequent tonch with the Arabian oil states in the past five or six years cannot fail to have noticed how much more Saudi orientated the ruling families and tbe merchants have become, and how much more the Gulf rulers look to King Khaled not as a fellow, and equal, head of state, hut as a tribal chief of all Arabia.

Michael Field

Mrs. Thatcher's overmighty baron

MRS. MARGARET THATCHER is turning out to be a weak Prime Minister. There is no other explanation of why Mr. James Prior, the Employment Secretary, has not been dismissed from office, or at least the political equivalent of confined to barracks.

On Monday Mr. Prior gave what is known in the trade as an unattributable briefing to labour correspondents. In the course of it he suggested that the Government had no confidence in the management of the British Steel Corporation and that its Chairman, Sir Charles Villiers, might have to be replaced before he is due to retire in September.

An unattributable briefing means that the correspondent may report what has been said, but may not reveal directly who said it. Thus on Tuesday morning stories appeared in most newspapers about a lack of government support for Sir Charles, but with no direct attribution to Mr. Prior.

One Tuesday afternoon Mr. James Callaghan, the Leader of the Opposition, raised a question in the House of Commons. Was it not extraordinary, he asked Mrs. Thatcher, that a Government Minister should be appearing to undermine the authority of the BSC management in the middle of the steel dispute, and did she have any idea who the Minister was?

Not surprisingly, Mrs. Thatcher ducked the issue. She entirely agreed with Mr. Callaghan that the position of the BSC Chairman should not be undermined. Sir Charles and the trade union leaders had a job to do in settling the strike, and she had every confidence in him to do it.

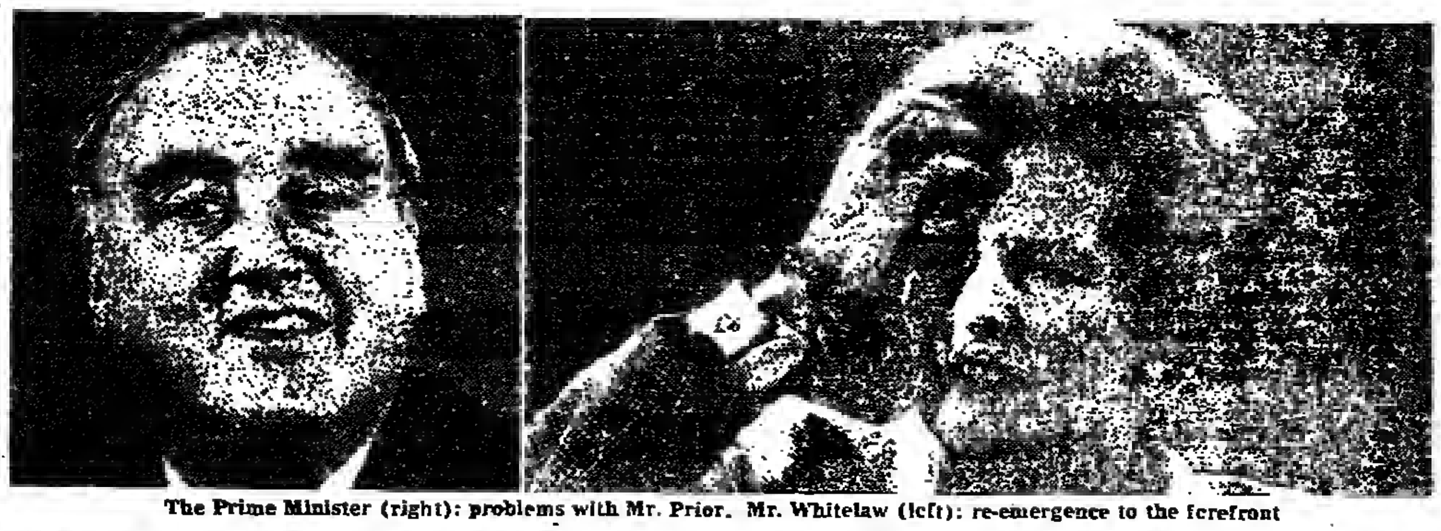
Mr. Prior was sitting two places away from the Prime Minister on the Government front bench. He may have turned a deeper shade of pink, but that is all. And there the matter rests, or does it?

The point about the story is not whether Mr. Prior's views of Sir Charles Villiers are right or wrong. Indeed his views were already well enough known to anyone who cared to ask before this week's reports appeared, and they may very well be correct. The point is about the authority of the Government.

Before the Tories were returned to office, they made great play of the Labour Government's weakness. Mr. Callaghan, it was suggested, might have his instincts in the right place as Prime Minister, but he was inhibited by his party's left wing and, in particular, by Mr. Anthony Wedgwood Benn who was entrenched in the Cabinet even though he frequently reserved his position on the Cabinet's decisions.

The Tories were right. Both Mr. Callaghan and the then Mr. Harold Wilson before him would have liked to have dismissed Mr. Benn from office. Yet they could not, or dared not, do so. They feared that Mr. Benn outside the Cabinet might be a source of considerably more trouble than Mr. Benn inside. The very act of getting rid of him could have led to a revolt. They exaggerated perhaps, but it is hard to avoid the conclusion that Mrs. Thatcher is in a similar dilemma with Mr. Prior.

Mr. Prior represents the alternative Tory Government. It is not just a matter of what he leaks to the Press about the management of BSC. The Employment Secretary tends to distance himself from the whole range of current Tory economic policy. Whatever the Treasury Ministers say or do, he is ready with a nod or a wink, and sometimes a good deal more, to



The Prime Minister (right): problems with Mr. Prior. Mr. Whitelaw (left): re-emergence to the forefront

suggest that there are alternative approaches.

It is true that there are other members of the Cabinet who think in the same way, but they are less directly concerned with economic questions. It is Mr. Prior who stands in readiness for the celebrated U-turn if and when present policies are shown to have failed. In doing so he encourages the belief that the U-turn will take place and undermines the authority of the Treasury team as well as of Sir Keith Joseph at the Department of Industry. After all, if some members of the Cabinet do not support the Government's economic policies, it becomes harder for everyone else to believe that the policies will be adhered to.

One is not saying that Mr. Prior is in any way winning. As a matter of fact, his alternative policies are rather unclear. He remains open to the charge that the sort of approaches he favours have been tried before and have only led to our present unhappy position. In the part of the Cabinet that matters on economic affairs, this is still the dominant view.

The political conclusion is different. It is that the Government is not very well organised and not very strongly led for Mr. Prior to be allowed to behave as he does. The similarities with previous Labour Governments are too close for comfort. The Employment Secretary is an overmighty baron with access to the media.

As for the working paper on secondary industrial action which was published this week, it has been claimed, largely by Mr. Prior, as a victory for the doves. Yet when one thinks about it more closely, it is more a victory for common sense. It is hard to see how the Government could have gone any further than it is proposing to do in limiting trades union immunities unless it wished to ban secondary action altogether. Nor could the paper have been issued without Mrs. Thatcher having been convinced. One detects, in particular, the hand of Mr. William Whitelaw, the deputy Prime Minister.

Mr. Whitelaw is a law and order libertarian, if that is not a contradiction in terms. He believes that liberties must be preserved, including the right to strike and the right to demonstrate, but also that the law must be enforced. It was no coincidence that the paper on secondary action was published on the same day that the Government reasserted the need to uphold the existing law. Mr. Whitelaw called in the Chief Constables and reminded them of the full extent of their powers. It is not just a matter of arresting pickets who appear to be breaking the criminal law. It is much more a question of preventing such actions in the first place. One may assume that the full resources of Home Office surveillance are now at the Chief Constables' disposal.

The operation at the Sheerness Steel works on Wednesday, for example, turned out to be rather well planned by the authorities. The workers arrived at 4 a.m. before the pickets were on the scene and left the plant at night after the pickets had departed. It is still a funny way to conduct industrial relations, but it is better than the pitched battle that once seemed threatened. The Home Office appears to have a remarkably full knowledge of what is going on. Mr. Arthur Scargill, the Yorkshire miners' leader and picket *par excellence*, is being quite closely watched.

Mr. Whitelaw's re-emergence at the forefront is striking in another way. He is widely categorised as a dove, though one who sometimes compromises under pressure: for instance, on immigration. On the economy, however, Treasury Ministers have long speculated that he may be a hawk and their own best ally in Cabinet. And so it is turning out. Mr. Whitelaw may be a dove on tactics, but he is a hawk on strategy. As deputy Prime Minister, he is a far more important voice in the Government than (say) Mr. Prior and, when it comes to experience, possibly even than Mrs. Thatcher.

Ministers tend to be haunted by memories of the previous Tory Administration. Yet the lessons to be drawn from 1970-74 are various. One, apparently drawn by Mr. Prior, is that the Government left it too late to try to do a deal with the unions. Another is that the Tories did not become unpopular enough early enough to allow themselves time to recover before a general election. That would be the view of Sir Geoffrey Howe and Mr. John Biffen at the Treasury and is the rationale for the 15 per cent VAT and the top tax cuts introduced in Sir Geoffrey's first Budget. It appears also to be the view of Mr. Whitelaw. The deputy Prime Minister believes that this Government has made tactical mistakes, but that the economic strategy must be preserved.

None of that alters the impression that the Government is ill-organised and weakly led. To take just one example: it might have been useful if Mr. Whitelaw himself and Sir Michael Havers, the Attorney General, had re-asserted the limits to picketing somewhat earlier. After all, the possibilities of using the criminal law were outlined to the House of Commons by the then Labour Attorney General, Mr. Sam Silkin, only a year ago, yet until this week the Tories seemed to have forgotten. Nevertheless, it would be wise not to take too seriously the view that it is only a matter of time before the Treasury team is replaced by the Tory paternalists and the U-turn begins.

We may end, however, with another illustration of the lack of central direction. On Monday Mr. John Nott, the Trade Secretary, announced import controls on certain synthetic textiles. Mr. Nott is a free trader. There is no evidence that he believes that the measures will work and indeed "working" in this context has not been defined.

The key question was posed by Mr. Enoch Powell. "What," he asked, "in the Government's view is the basis of this policy? Is the importation of these items to be controlled because they are priced too low or because they are priced unfairly?"

In other words, was the Government resorting to protectionism or reacting against dumping?

Mr. Nott appeared, deliberately or otherwise, not to understand the distinction. Instead he lapsed into some improvised waffle about the nylon yarn industry in Northern Ireland, one of whose constituencies Mr. Powell represents. Yet the fact is that the controls have been introduced because of pressures from the industry and pressures from the constituencies, including Tory constituencies, and the Government did not stand up. The widespread reaction among those who had demanded the measures was that they were not enough: they will be back asking for more. Tory MPs among them. What is the Trade Secretary going to do then?

It is hard to believe that restrictions on the import of polyester filament yarn are meant to be the prelude to wider controls: for instance, on steel or cars. But it is equally hard to see how the restrictions fit in with the Government's economic philosophy. It is certainly possible to conclude that, in these days of the decline of authority, one government behaves much like another.

Mrs. Thatcher, so far, is neither a strong, nor a consistent, Prime Minister.

Malcolm Rutherford

Letters to the Editor

Non-executive directors

From Mr. J. Drum.

Sir,—As a chartered secretary and also a director of a company, I was interested by Geoffrey Owen's article (February 19) on "The pros and cons of non-executive directors."

Certainly, the article failed to stress one fundamental aspect of the law of directorship; that is, there is no difference between a director who has executive responsibilities and one who has no executive responsibilities. Qua director they are equal. They are equally responsible as trustees of the company's assets; they are jointly and severally liable as agents of the company; and they owe equally the same fiduciary duties to the company.

The fact that in practice some directors are also employees of the company, that some directors spend all their time on the affairs of one company whilst others share their time with other companies, makes no difference whatsoever in law.

The present strict legal position of a director demands a high and equal standard of performance. The proposed amendments to the Companies Bill, now going through Parliament, which would require a non-executive director to report to shareholders on the performance of his executive colleagues should be resisted. Such amendments could lead to divided boards by the creation of two classes of director each with different functions and differing responsibilities. If not confusion, the result could well be a lowering of the present high standard set by the law.

J. D. F. Drum,
2 Arlington Gardens,
Chiswick W4.

Small craft foundries

From the Chairman,
Economic Development Committee for Foundries

Sir,—Dr. Hitchens (February 19) has now turned to pure invention in his criticism of the small craft foundry report: nowhere does it put forward "blanket proposals to subsidise all small foundries." Our capital loan scheme would be of value only to foundries that were basically profitable. Its monetary cost to the Exchequer would be nil, its real cost peanuts.

T. S. Kilpatrick,
Millbank Tower,
Millbank, SW1.

Supplying the 'specials'

From Mr. L. Hall.

Sir,—Our modern industrial world demands all manner of variants, and it is often the ability to offer the "specials" which ensures that a company does not lose the business for the more lucrative "standards."

Dr. D. Hitchens (February 5, 11 and 19) persists with the view that it would be advantageous to allow the small foundry sector to continue to decline "by allowing the inefficient to leave the industry at their own pace." This implies that it is only the inefficient foundries which have to close—when in fact many good foundries fall victim to cyclical business patterns simply because large fluctuations in customers' requirements become magnified when viewed as changing demands upon casting suppliers. Nor incidentally would it be efficient for the large automated foundries to try to produce one-off castings—at any price!

Whenever the foundry industry is looked at in times of recession, it is not difficult to conclude that there is a chronic over-capacity situation —but thank goodness NEDO has not been so short-sighted.

Leslie V. Hall.
Richmond House,
34 Almondbury Close,
Huddersfield,
Yorks.

Threat to carpets

From the Chairman,
Show Carpets

Sir,—As a nation dependent upon worldwide trade, we must as a general principle eschew protectionism.

When an industry is under assault from subsidised competition, however, action must be taken to prevent decimation. Even the most efficient UK carpet companies are under threat from the U.S. carpet industry which benefits so significantly from low cost oil feedstocks.

Until such time as the U.S. brings its domestic oil prices into line with world prices, it is essential that restrictions are imposed on imports of U.S. man-made tufted carpets otherwise segments of the UK carpet industry will disappear and redundancies will be widespread.

The absurdity in the present situation, is that there are quotas on U.S. nylon carpet yarns which is a positive inducement for the importation of U.S. nylon tufted carpets.

James Hartley.
Darton,
Barnsley, Yorks.

Move to new products

From Mr. M. Subhan

Sir,—The answer to Mr. Wheatley's problem (Feb. 15), is contained in the figures he cites — outward processing and a *higher* level of imports from countries which have advantages in comparative costs. These countries, he may be surprised to learn, include the United States.

If Mr. Wheatley will look at the very detailed statistics published by the European Community's statistical office, he will find item after item in textiles for which the EEC's main outside suppliers are Class I countries (defined as "Western industrialised third countries").

In fabrics, for example, Class II countries ("developing countries") lead in exports of grey cloth only. Even for such an item as cotton T-shirts, the major outside suppliers in 1978 were the Class I countries. They also outdistanced Class II suppliers as regards a wide range of other garments.

The developing countries clearly have no monopoly on textile exports as European manufacturers so often imply. (Not a word in Mr. Wheatley's letter about U.S. exports, which are taking a growing share of the EEC market.)

In any case, the UK industry should be moving into new products, whose manufacture requires grey matter rather than elbow grease. Rather than try to make a living at any cost in textiles, Mr. Wheatley should be using his superior skills in industries which can bring him higher returns — not fulminating against developing countries, which represent a major UK market for capital goods, for example.

Some years ago a major Belgian chemical company proudly announced that 40 per cent of its current output consisted of products unknown 10 years before.

Malcolm Subhan.
Grotstraat 49,
B-1900 Overijse, Belgium.

Trade in textiles

From the Chairman,
Stewart Nairn Group

Sir,—As members of the Knitting Industries Federation, we are daily faced with the problems to which Mr. Wheatley refers (February 15). I agree that there is a vast volume of uninformed comment in relation to the problems of our UK textile industry.

I must, however, take issue with Mr. Wheatley when he compares UK labour costs of £1.14 with their Far Eastern *equivalent.* I have been involved with the Far East for 20 years and I can say with authority that one would have to go back seven years to find the kind of labour charges to which Mr. Wheatley refers. In 1973 cotton singlets could be imported and landed in the UK at 18p per garment, at a time when there was no 18 per cent duty payable. Today, it is quite impossible to achieve these values, even in Bangkok. Resulting from EEC provisions to limit "cheap" imports, the quota has been divided in such a way that today's relatively high costs areas like Hong Kong, are allocated high quota for simple garments which they cannot produce competitively against lower cost areas such as Bangkok. In contrast low cost areas, such as Bangkok, have been allocated a high level quota for more sophisticated garments, which they are less able to supply competitively, whereas they have received a relatively small quota for simpler garments.

Without making too much of a meal of it the above results in quota "farming" and in 1979 scarcity led to quota being offered for sale at prices as high as 50p per garment. The system for distribution of quota did not just "happen" as one might gather from the protests of the Hong Kong textile lobby which is at least as eloquent as its UK counterpart. Incidentally, if Mr. Wheatley was referring to cotton garments, I can point to several UK companies who are able to offer very much better values than those he quoted. Obviously, it *would not* be appropriate for me to be specific, but I am aware that one well-known multiple organisation is purchasing UK produced T shirts at a total price which is lower than the labour cost referred to by Mr. Wheatley.

On the subject of interest rates payable in the Far East, whereas they are lower than in the UK they could not be considered a subsidy as such. There is indeed an emerging problem insofar as certain low cost Mediterranean countries are concerned, but if Mr. Wheatley cares to read the official journal of the European Communities which is published daily, he will find numerous references to safeguard this and I quote an example. "Commission decision of January 18, 1980, authorising the UK not to apply community treatment to certain products falling within heading No. 60.04 of the common customs tariff originating in Rumania and in free circulation in the other member states."

N. I. E. Ostrom.
52-53, Margaret Street, W1.

Indexation and investment

From Mr. G. Thompson

Sir,—Samuel Brittan has in a number of recent articles put forward the case for relating interest rates on government stock to the rate of inflation. The obvious good sense of his views has led me to wonder whether there would be an even greater benefit were we to take this one logical step further by indexing not the interest rate but the nominal value of the security. This would obviously cause administrative difficulties in a traded stock but the possible advantages are large enough that this might be a small price to pay.

By providing an inflation-proof home for savings or investments a very low interest rate would be possible. Indeed, neither a nil nor negative rate is out of the question although the psychological advantage is with a positive rate, however small. It would avoid the present market disturbances caused by the massive cash flows currently involved in paying a high rate of interest and raising more money in the market to finance this on top of the Government's borrowing to cover expenditure. It would impart a greater reality of the actual size of the Government's borrowing requirements. There is a good deal of evidence to suggest that the greatest problem caused by inflation is the distortion of perceived reality that it produces. If this is so, this final point may be of greater importance than it might at first sight appear.

To take up another idea propounded by Mr. Brittan, were the issue of such new stock accompanied by or, more likely, followed by an offer to convert all existing borrowing into similar stock, then the mechanism of funding the PSBR would be improved and one of the dilemmas over setting current interest rates would be resolved.

The change I am suggesting is a procedural one rather than a "real" one and as such may appear to do little or nothing to improve the real economy. I am convinced, however, that much of the problem with the real economy lies in the attitudes of the people involved, whether in the Government, the trade unions or in the board room. Any change, even an apparently cosmetic one, that sharpens the country's perception of reality could produce massive benefits.

Graham Thompson.
158 Pennsylvania Road,
Exeter,
Devon.

Today's Events

GENERAL

UK: British Steel Corporation, Iron and Steel Trades Confederation, and National Union of Blastfurnacemen representatives resume pay discussions.

Print unions meet employers on pay offer.

National Amalgamated Stevedores and Dockers Union mass meeting on London Enclosed Docks pay offer.

Mr. David Howell, Energy Secretary, lectures on energy policy in the UK, Surrey University, Guildford.

Institute of Directors launch European Association.

National Association of Pension Funds conference concludes, Eastbourne.

Sir Peter Gadsden, Lord Mayor of London, attends John Carpenter Club dinner, Mansion House.

The Queen opens the Elmsleigh Centre, Staines.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' motions—Seat Belts Bill.

OFFICIAL STATISTICS

Department of Transport publishes new vehicle registrations for January.

COMPANY MEETINGS

Jitra Rubber Plantations, Tubs Hill House, London Road, Sevenoaks, Kent, 12. Raeburn Investments, 21 Moorfields, EC, 2.30.

COMPANY RESULTS

Final dividends: Alliance Trust, Lloyds Bank. Interim figures: Ewart New Northern.

LUNCHTIME MUSIC, London

Organ recital by Gary Desmond, St. Paul's Cathedral, 12.30 pm.

Recital by the French Song Class directed by Robin Bowman, Guildhall School of Music and Drama, 1.10 pm.

Piano recital by Vivien Banfield, St. Martin-within-Ludgate, 1.15 pm.

Bath & Portland shows some recovery at year end

THE postponement of a major road contract in Iran continues to affect the Bath and Portland Group and results for the year to October 31, 1979, show turnover down from £89m to £73.99m and pre-tax profits of £2.76m against £5.17m previously.

However home-based turnover rose by £13m and home profits were up from £2.47m to £2.76m.

Midway profits had slumped from £2.05m to £623,000 due almost entirely to the cessation of the Baluchistan highway project.

Stated pre-tax earnings per share at the year-end are 17.8p against 33.9p and net earnings before extraordinary items are 9.5p compared with 16.2p. The final dividend is being maintained at 2.01p to hold the total at 3.61p.

Sir Kenneth Selby, chairman, says the minerals side performed very well and engineering marginally exceeded last year's profits. Chemicals earned a profit for the first time and construction at home performed well in all areas except London, the chairman says.

Agriculture should have equalled at least the performance of other home activities but was halted by a bad winter and the transport strike.

On prospects this year, Sir Kenneth says home based activities should advance further, the only limitation being the strong pound. He hopes a decision on MLR will not be long delayed if the group is to maintain both export and employment levels.

Overseas work has been enhanced by the award of harbour works in Sudan to a total value of £9m and further profitable opportunities continue to be sought.

The chairman explains what may appear to be a further provision of £1.82m for the Iran contract over and above the £3.5m that was intended to be created last year.

The directors have agreed with the auditors, who advise the company in assessing tax liabilities, that the changed situation between the years does not allow the company to gain the tax relief in the manner originally determined which calls for the adjustment in this year.

The provision which it was hoped had been created in 1978 of £3.5m was thus effectively only £1.68m and the entry this year updates it to the £3.5m originally intended, the chairman states.

See Lex

HIGHLIGHTS

While the international bond markets are in disarray the UK gilt edged market is holding steady. The Lex column considers the reasons for this in the light of the latest public sector borrowing figures. Comment is also passed on the latest results to be produced by **Sime Darby. Bath and Portland is preparing** to terminate its Iranian contract unless it receives cash immediately and has had to top up its provision against Iranian losses but there is some recovery at home. Finally Lex looks at Roy Strudwick's attempts to buy out the minority interests in Royco. On the inside pages there are comments on **Pullman, Dale Electric, AI and Bernard Wardle.**

A I Industrial tumbles to £60,000 and omits final

THE EFFECTS of the engineering dispute resulted in AI Industrial Products incurring a second half loss of £191,000 in 1979, compared with a profit of £653,000 last time, and the final dividend is being omitted.

The pre-tax surplus of the group, formerly Allied Insulators, tumbled from £1.22m to £60,000 in the year, on turnover of £19.26m, against £19.1m.

Profits were struck after sharply higher finance charges of £461,000 (£188,000), and depreciation of £409,000 (£424,000).

At midway, profits were well down at £251,000 (£565,000). The directors said that, although an improvement in trading surplus had been budgeted for the second half, this had been jeopardised by the engineering dispute.

Mr. A. Lloyd, chairman, now says the immediate workload is generally at a satisfactory level other than for low tension products, despite the continued strength of sterling.

Group sales for January were 10 per cent higher than for the same month last year. However, prospects for 1980 remain inhibited by problems arising from the steel strike, poor profit margins on exports, the excessive rate of inflation, and the high cost of money, he adds.

The cost of funding the capital investment programme is proving to be considerable as a result of the current high rates of interest, he says. However, the diversification of product and modern plant available on completion of the programme should enable the group to trade more effectively, particularly in increasingly competitive overseas markets.

The passing of the final dividend leaves the interim of 0.85p (1.65p) as the total payment for the year. The final for 1978 was 1.5375p. After a tax credit of £4,000 (£196,000 charge), earnings per 25p share are given as 0.54p (10.59p).

During the year the directors reviewed the capital investment programme, and expenditure of £500,000 was deferred.

● **comment**

Trading just below par after yesterday's 5p fall to 24p, it is extremely fortunate that A I Industrial Products is not being pressured to examine some of the more obvious funding routes. A disastrous year in almost all respects leaves no cover for a very much reduced dividend but, crucially, gearing is not much more than a third. That should allow breathing space to effect a recovery but the temptation to maintain the distribution has been overcome by the damage that the steel strike and its aftermath is likely to do to the p and l this year. Order books, however, are somewhat more promising (with the exception of low tension division which is going to make a small loss) and it is possible that the £300,000 of lost profit can be recouped. Capital spending projections this year have been halved to about £500,000 but start-up costs at Blakey's and in low tension will clearly affect the first half. It does seem that an admittedly strong balance sheet could come under strain and the best that can be expected short term is that the group has enough resilience to improve a yield of 5.1 per cent on what was left of last year's dividend. But the market, influenced no doubt by the steel strike and a sluggish five-year track record, has already voiced its fears.

R. & J. Pullman ahead midway

PROFITS of R. and J. Pullman, merchandiser and manufacturer of garments and textiles, advanced to £710,000 for the six months to October 31, 1979, compared with £505,000 for seven months last time. Turnover increased from £8.87m to £9.86m.

Trading to date is in line with internal budgets and as stated at the AGM in November, the board confidently predicts satisfactory results for the full year, bearing in mind that second-half traditionally exceed those of the first six months.

For the previous 13-month period, taxable profits reached £1.53m on turnover of £19.27m.

There is again no tax charge at the interim stage. Stated earnings per 5p share are 7.48p (7.42p) and the interim dividend is effectively raised from 0.918p to 1.03p net—last year's total was 3.2136p adjusted for the six-for-five scrip issue.

The interim payment absorbs £215,000 (£138,000) and retained surplus emerged over 33 per cent higher at £494,000, against £369,000.

● **comment**

Pullman's first half results are not strictly comparable because of last year's extended interim period and the inclusion of the Skincraft acquisition this time. Stripping out these considerations, the profits look very respectable given the current difficulties in the textile sector. Although the retail element of the business is growing steadily, it is still the manufacturing side that makes most of the running in the first half. Here, the children's wear activities have made a strong showing, thanks to increased output, higher Middle East orders and better market penetration through its own shop-in-shop retailing. For the second half the retail side will inevitably start feeling the pinch. However, Skincraft which makes the bulk of its profits in the second half (including C and V Furs) is on target to contribute around £0.45m for the year while Ronald Joyce, the other new acquisition, could pitch in another £0.6m. On this basis full-year profits could top £2.6m and there is still cash in the balance sheet for further acquisitions. Assuming the final dividend is also increased, the shares yield approximately 11 per cent while the fully-taxed p/e is 7.9 at 48p—a *fair rating* given the short term difficulties.

Bernard Wardle £0.65m lower after final quarter setback

A MARKED downturn in the final quarter resulted in pre-tax profits of Bernard Wardle and Co. slipping from £1.56m to £909,000 in the year to December 2, 1979.

Profits are after interest sharply up from £225,000 to £578,000 and an exceptional debit of £449,000 (credit £246,000), but includes associated companies share at £46,000 against £55,000. The tax charge more than doubled from £57,000 to £138,000.

Turnover was up from £26.44m to £31.64m.

There was an extraordinary loss of £1.1m (£7,000) which includes exchange movements and also relates to the anticipated sale of the company's Dutch subsidiary Schotte, and the proposed cessation of manufacturing activities at the company's Everflex subsidiary in North Wales.

The exceptional debit of £449,000 relates to the Schotte trading loss and interest payable (previous year's debit £228,000). The extraordinary item of £1.1m included an exchange gain of £35,000 with the remaining figure split equally between write-offs at Schotte and Everflex.

The company has made provision for closure costs including statutory redundancies and write-offs at Everflex where it is still in discussion with unions and a local protest group.

Closure of this factory means the loss of 320 jobs, but with work being transferred to a factory near Colne, Lancashire, employment there will be increased by about 100 to 600.

New chairman Mr. R. East, says in his report that the last quarter downturn has continued into the current year necessitating the company to take major rationalisation decisions to preserve its competitive base. The Dutch subsidiary lost £86,000 in the first six months and a letter of understanding has been signed for its disposal.

Operating profits were up from £1.49m to £1.89m, before interest and exceptional items. These figures, says Mr. East, indicate a better UK performance although profits were achieved mainly in the middle of the year.

Stated earnings per 10p share before extraordinary items are 4.26p against 8.3p, and after extraordinary items there was a 1.85p loss (earnings 8.3p).

The final dividend is 0.87p against 0.86317p making a total of 1.53p (1.41817p).

● **comment**

These are interesting times for Bernard Wardle. Not only is it awaiting a bid from Mr. Graham Ferguson Lacey, the man whose cheque-book never sleeps: it has also produced a packages of exceptional and extraordinary items which ture a £1.36m profit into a £338,000 attributable loss. The dividend, nonetheless, is increased. The extraordinary losses fall into three camps: exchange losses of £33,000; and slightly under £500,000 apiece for closures of the Dutch Schotte and the Welsh Everflex subsidiaries. For both closures, the losses are effectively provisions—on the "anticipated" sale of Schotte, and the "proposed" closure of Everflex. The Everflex provision is based on statutory redundancy payments. But higher settlements could hit this year's p and l. Behind Wardle's restructuring is the downturn in its leathercloth market. Car buyers now prefer cloth seats, while imported leathercloth is up tenfold since 1970. Everflex leathercloth production will be transferred to the Armoride factory, which Wardle luckily bought in 1977-1978. The company declines to disclose borrowings, or current trading. But on the basis of the 1978 balance-sheet, Mr. Lacey's 33p bid compares with net tangible assets of 53p per share.

Shuffles on Audiotronics and Change Wares boards

MR. G. W. ROSE, chairman of Audiotronics Holdings, has bought out the 7 per cent shareholding of fellow directors Mr. B. A. Selzer and Mr. D. J. Sullivan, who have resigned from the board. Two other directors, Mr. J. D. Gerson and Mr. J. L. Kropf, have also resigned.

In turn, Mr. Rose has sold his 7 per cent stake in Change Wares to Mr. Selzer and Mr. Sullivan, and has resigned from that board. Six other directors, Mr. J. H. Dale, Mr. A. N. Heine, Mr. J. L. Kropf, Mr. E. C. Nevis, and Mr. R. A. Opperman, have also resigned from the Change Wares board.

Mr. Rose, Mr. Selzer, and Mr. Sullivan came into the two companies 18 months ago, when both were seeing flagging fortunes. Now, says Mr. Rose, "we have decided to go our separate ways. They are more oriented to Change Wares' type of business, and I'm more oriented towards electronics."

Mr. Rose has seen his time almost exclusively devoted to Audiotronics over the last year, during which he has presided over the sale of the Lasky retail shops, and moved the company's focus towards audio wholesaling.

Audiotronics reported a £306,000 interim loss last month. But after the exit of loss-making Laskys, sold to Ladbrokes, "we're in better shape than we have been for quite some time," says Mr. Rose. All divisions are now trading profitably, he says, with the troubled Dutch retailing division now back in the black.

With reserves now totally depleted, Audiotronics is expected to embark on some form of *capital reconstruction* in the near future.

At Change Wares, which makes shopfittings, wire products, and is a steel stockholder, the remaining four directors are now seeking an independent chairman and a new group managing director. It is also looking for new advisers and brokers, following the December departure of Energy Finance and General Trust, and Buckmaster and Moore respectively. Buckmaster resigned because it was unhappy with the structure of the board.

The company reported £326,000 profits at the interim stage. But it now says these are "not indicative of the currently expected results for the full year." The company declines to comment further before completion of audit, but it is believed that last year's engineering strike had a severe effect on the stockholding business.

Dale Electric slumps midway but maintains interim payout

PROFITS before tax of Dale Electric International show a considerable downturn from £1.91m to £434,000 in the half year to October 28, 1979, but the directors are hopeful that the group has seen the worst of bad market conditions.

However, expensive money, unhelpful sterling rates, increasing local manufacture and heavy price cutting will prevail for some months and it will be the year starting April 28, 1980, before rewards of decisions taken in the first half are seen, the board states.

Stated earnings per share in the first half have slumped from 6.91p to 1.57p but the interim dividend is being maintained at 1.4p—the previous total was 4.125p on pre-tax profits of £3.29m.

Turnover amounted to £11.1m against £13.7m. After tax of £226,000 (£994,000) net profit in the first six months was £208,000 compared with £918,000.

A decision has been taken to close a factory in Hull which manufactures small standard-type generating sets, the focal point of intense world competition.

To make more profitable use of engineering and marketing skills, the group is opening a new factory in June in Leeds to assemble and test high voltage generating sets up to 5,000 kW.

Overseas, there is increasing local assembly and tariff protection the board states. Dale has reacted by starting negotiations on a number of local assembly projects and would expect the first one to be in operation during 1980.

Houchin is performing well in difficult markets, with forward orders at an all-time high. Erskine has a lower order book than last year, but there are good prospects.

● **comment**

The figures from Dale are very disappointing, but understandable in view of current world market conditions in the electric generator industry. Pre-tax earnings have been slashed by 77.3 per cent and margins at the same level have dropped from 14 per cent at this time last year to 3.9 per cent. The share price fell 16p to 96p. The reasons for the setback include the partial collapse of key markets in Iran, Nigeria, Iraq and Turkey. Together, these accounted for a quarter of group business last year. Stiff competition from other companies has also combined with strong sterling to bite into margins. Petbow showed similar signs of strain in its last reported half. Dale is pushing ahead with a rationalisation programme which includes the closure of its Hull factory. But the immediate future does not look bright and the group says that it will be next year before there is any brighter news. This year's pre-tax figure could be just £1m, indicating a p/e of over 20 on a full tax charge. The interim dividend has been maintained at a cost of £153,000 to come out of £208,000 in net profits. If the full year is held, the prospective yield could be a barely covered 6.2 per cent.

Sidlaw expects growth in oil services and hotel sides

SIR JOHN CARMICHAEL, chairman of Sidlaw Industries, says 1979-80 will be a year of mixed fortunes with good progress in the oil services division and Skean Dhu but with rationalisation continuing on the textiles side.

The textiles division will be reducing capacity to a level to meet profitable demand but by the year-end, action should be well advanced, the chairman says.

Oil services and Skean Dhu should improve on last year's results from increased activity and the commissioning of capital expenditure undertaken in the previous year. At the same time, both divisions will be expanding their facilities.

Further expansion of oil service facilities at Peterhead have been approved and a major office block is being built in Aberdeen with the aid of institutional finance.

Skean Dhu which can finance its own expansion is building a third hotel in Aberdeen and this should be opened in the middle of 1980, the chairman states. The first contribution from this project will come in 1980-81.

The financing of the oil service division's capital programme, excluding the office block will be financed from the company's cash flow and increased borrowing if necessary. High interest rates will limit the use of cash but disposals of properties and plant no longer required should contribute, Sir John adds.

Sir John is retiring as chairman at the end of the annual meeting and will be succeeded by Mr. R. C. Smith, the present deputy chairman.

Meeting, Dundee, March 14 at noon.

Goode Durrant upsurge

THE higher second half profits forecast by Goode Durrant and Murray Group at halfway turned out to be £996,000 against £614,000. This left the pre-tax figure for the full year to October 31, 1979, some £0.62m ahead at £1.52m. The result represents a strong recovery from the loss of £4.64m incurred in 1977.

With yearly earnings per 5p share advancing from 2.2p to 3.7p, the dividend is stepped up from 0.25p to 0.75p net.

Turnover for the 12 months amounted to £41.19m (£50.45m) and tax took £595,000 (£245,000).

Goode Durrant's interests lie in banking, financing, property developing, etc., and it is a subsidiary of Paisley, incorporated in the Cayman Islands.

Albright & Wilson down despite second-half rise

ALTHOUGH SECOND-HALF profits improved by some £3m to £9.21m, Albright and Wilson finished the year to December 24, 1979, with the pre-tax surplus down from £25.15m to £18.96m.

Sales of the manufacturer of chemicals and allied products increased from £342.06m to £385.72m. Taxable profits were struck after sharply higher interest of £4.96m (£1.89m).

The directors say the results reflect a disappointing performance in the UK and also the depressing effect of the strength of sterling. Profit was reduced by £1.6m in respect of the decrease in the value of overseas subsidiaries' net current assets.

The group, the ultimate holding company of which is Tenneco Inc., was also hit by industrial troubles during the early months of the year.

Tax took £3.33m (£2.05m). Dividends amount to £11.91m (£6.36m).

There are extraordinary charges of £2.22m (£3.64m) which mainly comprise decrease in sterling values of overseas fixed assets, less long-term liabilities.

Progress at Newbold & Burton

PRE-TAX profits of Newbold and Burton Holdings, ladies' footwear manufacturer, increased from £702,000 to a record £841,000 in 1979, with turnover up from £9.52m to £11.64m.

A final dividend of 2.38p against an adjusted 1.526675p is recommended, making a total 3.78p (3.482143p adjusted).

At the halfway stage the company had pre-tax profits of £276,000 (£219,000) and the directors said excellent order books and higher levels of production made them confident for the second half.

Tax charged for the year was lower at £267,000 (£330,000). Stated earnings per 25p share are 13.6p against an adjusted 8.8p.

Westminster & Country well ahead

Taxable profits of Westminster and Country Properties, property investment and development concern, more than doubled from £70,000 to £156,000 for the six months ended October 31, 1979, and directors say current indications are that the full year's result will be around twice the £177,000 for 1978-79—a peak of £246,000 was achieved in 1973-1974.

The interim dividend is doubled to 1p net per 25p share and a 1.5p (1p) final payment is anticipated.

First half turnover advanced to £700,000 against £584,000 and profits were subject to tax of £60,000 (£36,000). Earnings are shown as 2.89p per share, compared with 1.01p.

BROOKE TOOL ENGINEERING

Mr. Sandy Saunders, chairman of Brooke Tool Engineering (Holdings), expressed optimism at the annual meeting saying: "Our order books are strong and we are looking forward to another successful year. We are very optimistic about the near future."

Brentnall Beard (Holdings)

Brentnall Beard (Holdings), the insurance broker with Lloyd's of London interests, and its auditors, Touche Ross have decided, following the commencement of a third party action by Sasse Turnbull, the managing company of the stricken Sasse syndicate, that it is premature to express any opinion as to the effects of certain contingent liabilities on the group's financial position.

A note to the accounts for the year ending September 30, 1979, said that "contingent liabilities exist for indeterminate amounts of suits and claims. In the opinion of the legal advisers and management of the company, the outcome of these contingencies will not have a materially adverse effect upon the group's financial position."

Last night the group said that after further consideration and in the light of events since the accounts were issued and in particular the fact that Brentnall Beard International and Brentnall Beard Limited (wholly owned subsidiaries) have been joined as third parties by Sasae Turnbull and Co. in the proceedings brought by some of the names on syndicate 762 against Lloyd's and others.

Brentnall Beard added that it intended to repudiate the allegations made in the third party ootice and intended to strenuously defend the third third party proceedings.

The group's annual general meeting is on Mooday, March 3.

SPAIN

No. 33 February 21	%	+ or −
Banco Bilbao	227	
Banco Central	256	÷2
Banco Exterior	217	
Banco Hispano	228	
Banco Ind. Cat.	135	
Banco Madrid	167	
Banco Santander	268	
Banco Urquijo	179	+2
Banco Vizcaya	238	
Banco Zaragoza	308	+1
Dragados	101	
Espanola Zinc	62	
Fecsa	57.2	+0.2
Gal. Preciados	35	−0.5
Hidrola	62.7	
Iberduero	59.7	
Petroleos	112.2	−1.0
Petroliber	68	
Sogefisa	115	
Telefonica	54	
Union Elect.	62.7	+0.2

Fredk. Parker shows growth to over £4m

BADLY HIT by the collapse of the Iranian market, trading profits of The Frederick Parker Group slumped from £5.29m to £3.98m in the year ended September 30, 1979, on turnover £4.56m lower at £31.67m. However, after including exceptional credits of £1.27m, against £1.56m debits, the pre-tax surplus was ahead from £3.73m to £4.08m.

Sales in the second half showed a good increase over the first six months and profits followed this pattern. Mr. Ken Parker, the chairman, says the favourable trend has continued and results for the first two months of the current year are ahead of last time and he is therefore hopeful of increased profits for 1979-80.

Principal activities of the group, which was restructured last July, are the manufacture and hire of equipment for the construction industry.

World trading prospects for the group appear a little brighter at present, the chairman states, but because of the uncertain economic situation the final divideod is held at 6.518p, making an unchanged net total of 8.993p per 10p share. Stated earnings per share increased from 12.9p to 21.8p, after tax down from £1.85m to £0.93m.

The company's shares are traded by M. J. H. Nightingale and Co.

As a result of overstocking and the need to support the sales upturn in the second half, bank borrowings were increased from £0.81m to £3.01m at the year-eod. But the chairman estimates that the bank overdraft will be reduced by the end of the current year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
A. I. Industrial	Nil	—	2.89	0.85	4.54
Anglo American Coal	‖60	April 18	48	90	72
Anglo-Intnl. Inv.	3	April 8	2.6	4.5	3.6
Bath and Portland	2.01	April 2	2.01	3.61	3.61
Dale Electric int.	1.4	—	1.4	—	4.13
Good Durant & Murray	0.75	March 27	0.25	0.75	0.25
Gripperrods †int.	2.25	April 3	1.81	—	7.5
Newbold and Burton	2.38	April 3	*1.53	3.78	*2.48
R. and J. Pullman int.	1.03	May 6	*0.91	—	*3.21
St. Andrew Tst.	§3.35	April 14	2.9	§5.6	4.9
Updown Inv.	1.75	March 26	1.3	1.75	1.3
Bernard Wardle	0.87	April 25	0.87	1.53	1.42
Wstn. Selection 2nd int.	1.23	April 3	1.23	2.1	2.1
Westwood Dawes	1.5	April 15	Nil	3.5	Nil

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Gross throughout. § Plus 1p special dividend out of non-recurring payments by UK companies following end of controls. ‖ South African cents throughout.

Mooloya in move to restore liquidity

A MOVE was announced yesterday to help restore the liquidity of Mooloya Investments, owner of the Customagic stretch cover business whose shares were suspended last December after a delay in the accounts.

At the same time the company warns that the accounts for the 16 months to October 31, 1978 will be heavily qualified.

Conditional agreements have been signed between Customagic Manufacturing and Customagic Europe which extend Customagic Europe's trade mark licence worldwide and limits Customagic Europe's liability to further royalties to £0.7m.

This is payable as to £0.3m when the conditions are fulfilled and £0.4m over a period estimated to be two and a half years but which cannot exceed four years.

The agreements do not provide for Customagic Europe's purchase of trade mark registration.

The directors of Mooloya are making every effort to reach agreement with the trustees of the loan stock and their advisers.

The company also discloses its trading results for the six months to April 30, 1979. These show turnover of £1.77m against £0.97m for the 16 months to end October, 1978. There was an attributable loss of £0.33m (£0.16m loss) after exceptional expenditure of £93,100 (£24,819). The loss per £1 share is 51.63p (14.09p).

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim—Second Alliance Trust.

Finals—Alliance Trust, Carliol Investment Trust, Channel Islands and International Investment Trust, Lloyds Bank, Tyneside Investment Trust.

FUTURE DATES

Interims—	
Campari International	Feb. 28
Footwear Industry Invests.	Feb. 28
Land Investors	Apr. 21
Finals—	
English and Scottish Investors	Feb. 28
Hallam Sleigh and Cheston	Mar. 5
"Invest. in Success" Equities	Feb. 26
Isle of Man Enterprises	Mar. 3
Refuge Assurance	Mar. 13
Tavener Rutledge	Mar. 6
Trade Indemnity	Mar. 15
Unilever	Mar. 4
Unilever NV	Mar. 4
Ward Holdings	Feb. 25
Waterford Glass	Mar. 18

Westland chief quizzed on helicopter board changes

BY LYNTON McLAIN

SHAREHOLDERS questioned Lord Aldington, chairman of Westland Aircraft, at yesterday's annual meeting about major Board changes at Westland Helicopters.

Earlier this week Mr. John Speechley was replaced as managing director of the helicopter company by Mr. Basil Blackwell, the chairman who is also chief executive of Westland Aircraft.

Lord Aldington said: "I do not believe we should go hunting for incorrect explanations (of the change-over) as this could lead to fears of industrial upset in the company."

However, Mr. Jeremy Ashdown, a shareholder and the Liberal Parliamentary candidate for Yeovil—the Westland base—at the last election, said he thought the change-over was linked to differences over pay-bargaining procedures and employee participation.

It is understood that Mr. Speechley may have been more committed to achieving greater employee participation in the management of Westland Helicopters than the new managing director.

However, Mr. Blackwell has recently appointed Mr. Michael Webber, the former electricians convener at the Yeovil works, to be his personal adviser on participation.

Lord Aldington told shareholders that participation could be examined very thoroughly over the next one or two years. But he said profits were not as high as he would like for participation to be examined now.

Westwood Dawes recovers to £122,000

Continuing the progress made at halfway, Westwood Dawes and Co., structural and mechanical handling engineers, reports a turnround from a loss of £23,453 to a pre-tax profit of £121,814 for 1979.

At the interim stage the recovery was from a deficit of £7,186 to a surplus of £65,183. The directors said then that the order intake for the last three months had been less satisfactory and it was not possible to state that full-year results would be commensurate with those being reported.

Yearly earnings per 25p share are 4.48p (0.76p loss) and the final dividend is 1.5p net for a 2.5p (nil) total.

Turnover showed an advance of some £0.49m at £2.21m, and this time there was a tax charge of £65,343, compared with a credit of £13,880.

TREASURY STOCK

The Bank of England announces that the Treasury will make no conversion offer in respect of holdings of 9½ per cent Treasury Stock 1980. This stock will be redeemed at par on May 14, 1980.

INVESTMENT TRUSTS

Capital & National higher

Gross income of Capital and National Trust advanced from £648,486 to £914,888 in the half-year to January 31, 1979, including some £129,000 relating to special payments from Shell and Unilever.

Net income came through higher at £571,507, against £372,768, after tax of £290,997 (£228,632). In the last full year, net income reached £781,476 (£701,636).

An unchanged net interim dividend of 1.75p has already been declared.

At the year-end, net assets are shown down from 224.09p to 209.33p per 25p asset share.

VIKING RESOURCES

As a result of special dividends declared by British Petroleum, Shell and Oil Exploration, the revenue account of Viking Resources Trust has benefited by 1.32p per share. This amount is to be distributed as a special non-recurring interim dividend, payable April 8.

ANGLO-INTNL. INVESTMENT

Earnings of Anglo-International Investment Trust increased from £345,380 to £481,217 for 1979, before tax of £156,386 against £123,462.

A final dividend of 3p (2.6p) raises the total from 3.6p to 4.5p net per 25p share. Payments absorb £270,000 (£216,000) and £54,381 (£5,918) was transferred to contingency reserve.

UPDOWN

Net income of Updown Investment Company increased from £62,400 to £87,062 in 1979 after all charges including tax of £44,577 against £50,218.

The dividend is raised from 1.3p to 1.75p. Net asset value per 25p share at December 31, 1979, was 77p (64p).

Gross revenue improved from £158,859 to £160,902.

BIDS AND DEALS

Ceramics still holding out against Blue Circle offer

Ceramics Investment, the Lebanese based shareholder in Armitage Shanks, reaffirmed last night that it would not accept Blue Circle's offer of over £30m for Armitage.

The announcement came as Blue Circle was counting acceptances on the offer. Ceramics has a key shareholding of over 25 per cent.

Blue Circle is expected to make a statement this morning.

Ceramics said last night it will not sell its stake on Blue Circle's current terms. It added that, in building up its stake in Armitage, two factors were involved.

First, and most important, it believed the stock market had undervalued Armitage's earnings.

The sanitaryware industry has recently recovered from the surplus production capacity that built up in 1973-74. Armitage should be able to maintain, if not improve, its profit margin and turnover in real terms.

Also, Armitage still has untapped potential "in its tremendous grand name" and in the opportunities for further diversification in the home improvement market.

Ceramics said that Blue Circle recognises the potential although Ceramics did not believe the offer compensated for this.

Ceramics regrets that Blue Circle's offer document did not include estimates for Armitage's profits to March 1980 and Blue Circle's profits to December 1979.

On the second factor, Ceramics said it is itself engaged in the sanitaryware industry in the Middle East and has discussed with Armitage the opportunities for mutual co-operation in marketing and production in that area.

It was pleased Blue Circle had offered to continue the discussions on the co-operation in the Middle East and to extend them to other areas such as cement and shipping.

● The resolution to reorganise the capital of Armitage Shanks Group in connection with the offers from Blue Circle Industries was passed unanimously at yesterday's extraordinary general meeting.

Further effort to block Thorn's move into French TV rentals

BY TERRY DODSWORTH IN PARIS

THE seven-month-old bid by Thorn, the UK electrical group, for France's Locatel TV rental company, appears to have run into a further road block mounted by the French authorities.

Two of France's large electrical equipment manufacturing companies, CGE and Thomson, are believed to have been persuaded by the Government to examine the prospect of a counter-bid for Locatel.

This new move in the Locatel affair follows the reference of the bid to the French Monopolies Commission shortly after the FFr 240m (£25.5m) offer, was made last June. This step by the Economics Ministry was widely regarded as an obstructive move to hold up the British bid, since Locatel is still only a small company and Thorn not yet established in the French TV rental market.

Although the results of the Monopolies Commission inquiry have not been made public, it is believed that the findings were in favour of letting the bid go through. The dossier has been handed over to the Economics Ministry, which decides on the action to be taken on Monopolies Commission references, but no move has been made to implement the Commission's recommendations.

The search for a French solution to the Locatel case seems to be partly based on fears that Thorn might bring a flood of foreign television sets particularly Japanese, into France. Because of Thomson's dominant position in French TV set manufacturing, it was first contacted to consider a counterbid but found the price too high.

The CIT Alcatel Division of CGE was then brought in on the talks, partly because it has done joint deals before with Thomson, and partly because of its interests in information systems which use television sets.

Although neither of these two French companies would comment yesterday, it is believed that a decision must come soon, because of the long delay which has already occurred on the Thorn bid.

The main shareholder in Locatel, which had a turnover of FFr 241m (£25.9m) last year, and has about 180,000 sets on hire, is the Eurofrance subsidiary of the Lazard Bank with 36 per cent. The other main shareholder is Sofipa, a subsidiary of the Elf Oil Group, which has almost 14 per cent.

Bunzl sells Austrian holding

BY ALAN FRIEDMAN

BUNZL PULP AND PAPER has agreed to sell its 99.79 per cent holding in Bunzl & Biach, Vienna and a 25 per cent stake in Molnar & Greiner, a wholly owned subsidiary of BPP, to two Austrian companies. The Austrian groups are Papierfabrik Laakirchen and Papierfabrik Laakirchen Ein- und Verkaufs.

The agreed sale values the two holdings at ASch 317.5m (£11.48m). It is to be adjusted by the amount by which the basic consideration for the previously agreed sale of the Wattens Fine Paper Mill exceeds or falls short of ASch 30m.

Although the accounts for Wattens for the year ended December 31, 1979 are not yet available, BPP has been informed that approximately ASch 4m more may be payable under this provision. This would raise the total consideration to ASch 321.5m (£11.63m).

In the year to December, 1978, Bunzl and Biach showed a loss of £289,000 when BPP made a pre-tax profit of £12.8m. At that time the book value of the net assets of the Austrian subsidiary were stated as £15.7m.

The historical cost in BPP of the investments being sold is £12.8m, comprising the original purchase price of £2.5m and subsequent investments.

Bunzl and Biach returned to profit in the first six months of 1979, but BPP decided that the costs of rationalisation and capital expenditure required to maintain performance would be too high.

The sale is conditional upon the approval of BPP shareholders at an extraordinary general meeting, the consent of the Supervisory Board of Laakirchen, the consent of the Austrian National Bank and written notification from the Laakirchen companies that the Austrian Government will grant them an interest subsidy in respect of the borrowings used to finance the transaction.

Edwards merger combines Mr. Gulliver's interests

THE FOOD interests of Mr. James Gulliver are to be combined by Louis C. Edwards (Manchester) making an offer for the ordinary capital of Morgan Edwards on terms which place a value of £4.6m on the company.

Shareholders with over 51 per cent of the capital have already undertaken to accept the offer. These acceptances are represented by Gulliver Foods with 29.9 per cent and certain directors of Morgan and their families who hold 21.2 per cent.

The terms are 160 LCE ordinary shares and 32 LCE 8 per cent convertible preference shares, for every 100 Morgan ordinary shares. Taking LCE at yesterday's price of 66p (down 2p) and 100p for the preference shares, the offer values each Morgan share at 137.6p compared with a closing price of 138p (up 15p). As an alternative for the remaining Morgan holders there is a cash offer of 120p per share.

LCE has been advised by Samuel Montagu and Morgan by County Bank.

Marshall's Universal buys Graphic & Display group

AGREEMENT HAS been reached for Marshall's Universal to buy *the Graphic and Display Products* group together with four subsidiaries.

The consideration is £1.3m comprising £1.2m cash and £100,000 by the issue of 93,283 Marshall's ordinary shares. A further amount of up to £500,000 may be paid in cash depending on the level of profits earned in the year to April 30, 1981.

Main activities of the Graphic and Display group are the distribution of self-adhesive paper and associated products and paper merchants. One of the companies distributes machinery and allied products to the printing side of the advertising and display trades.

Net assets as at April 30, 1979, amounted to £809,471 and profit for that year after all charges except tax and excluding extraordinary items was £234,978. Management accounts show profits for the six months to October 31 of £202,088.

Mr. J. Fletcher and Mr. F. Lane, joint managing directors of Graphic and Display will be joining the Marshall's Universal board.

Royco directors reject offer

Independent directors of Royco, the property development concern, have urged shareholders to reject a bid which values the company at £10m from Mr. Roy Strudwick, the group's former chairman and largest shareholder.

Mr. Strudwick, who is still a director of Royco, is making his 50p per share cash offer through Bonnerpark, a company controlled by him.

The independent directors say that the profit for Royco for the year ending December 31, 1979, is estimated to be approximately £5.2m compared with some £2.8m in the previous year.

The marked improvement in profit for 1979 reflects the significant increases in property values that occurred during 1978 and 1979 combined with an increase in the number of commercial properties sold during the year.

The independent directors say that trading results should continue to benefit from the increases in property values. A *satisfactory start* has been made in the current year.

Net assets after tax, but before allowing for the final dividend, are currently estimated to amount to 49p per share. Shareholders are reminded that provisions amounting to £7.3m (equivalent to 36p per share) have been made in estimating net assets per share to allow for all taxation that could arise on present trading profits and the surplus arising from the revaluation.

Of the amount £5.6m (28p per share) is deferred tax or taxation which will not be payable before the latter part of 1981 at the earliest. There are no borrowings and cash balances at present amount to £3.7m.

On the basis of the estimated profit for 1979 the independent directors would expect to recommend a final dividend of 2.0p per share, which together with the interim dividend paid in December 1979, would provide a total for the year of 3.5p per share.

As Bonnerpark already owns more than half of Royco's shares, consideration has been given to the position of members as *minority* shareholders.

Bonnerpark has stated that it will endeavour to maintain the listing of the shares and that it intends to continue and develop the business of Royco, subject only to a future dividend policy which may be influenced by the necessity to receive dividends in order to repay borrowings.

In these circumstances the *independent directors* do not believe that the effective increase from approximately 37 per cent to just over 50 per cent in Mr. Strudwick's holding will adversely affect the position of shareholders.

But the independent directors regard the offer as inadequate being only equivalent to the fully taxed net asset value. The bid does not include any premium reflecting either the strength of the balance sheet or the potential for future profitability.

The only independent director, Mr. R. M. Clarke, who holds shares—500 in all—will not be accepting the offer.

See Lex

Amcoal profits rise 24%

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA'S Anglo American Coal Corporation has fulfilled its promise of a fresh rise in earnings for 1979 following the 11.4 per cent increase achieved in the previous year. *The latest net profit has* advanced by 24.3 per cent to R65.5m (£35.4m) from R52.7m.

The 1979 earnings equal 279 cents (151p) per share and they are accompanied by an increased final dividend of 60 cents. This brings the 1979 total to 90 cents against 72 cents.

	1979 R000	1978 R000
Turnover	386,238	306,444
Profit before tax	106,577	87,000
Normal S.A. tax	17,480	17,479
Equalisation tax	17,354	12,881
Profit after tax	71,745	57,220
Outside holders	6,232	4,492
Attributable	65,511	52,728
Earngs per shre (cnts)	278.90	224.50
Div per share (cents)	90.00	72.00

● **comment**

Amcoal with its vast coal reserves which could amount to over 9bn tonnes is still in the production expansion phase which has a long while to run yet. It is, for example, still developing two new collieries at a cost of some R210m to meet a contract to supply 460m tonnes of coal to the new South African power stations while preparing *to increase this deal*. The group's planned production for 1979 was over 30m tonnes and an eventual annual output of over 100m tonnes is considered a real possibility. The present key to rising earnings, however, is the prospect of increased export sales as a result of the expected further expansion in capacity of the Richards Bay export route. At £11 the shares yield a modest 4.4 per cent on the latest dividend total.

ROUND-UP

Exports of diamonds from Israel in January recovered sharply to a record value of $154.5m (£67.8m) while sales in the first 20 days of this month reached $115m. The total value of exports in 1979 fell to $1.2bn from $1.3bn in 1978 and showed a sharper fall in terms of carats.

Steady output from SA gold mines

SOUTH AFRICAN gold production held steady last month, the Chamber of Mines revealed yesterday, providing early testimony for the view advanced early this year by senior mining executives that South African production will remain little changed for most of this decade.

Output from all the Republic's gold mines reached 1,808,131 ounces in January, compared with a restated 1,802,284 ounces last December and 1,831,191 ounces in January, 1979.

The production remains firmly within the monthly range of 1.75m-1.96m ounces achieved by the South African industry over the last two years. This relatively narrow range indicates a degree of production stability after a 25 per cent drop in output since 1972.

The mines are not being stimulated by the higher prices of recent months to produce more gold—rather they are obliged by their leases to mine the lower grade ores which have been made economic by the higher prices.

The Chamber of Mines—admittedly using conservative market price estimates and taking into account only existing *mines and those known* to be opening up—has calculated that gold production will remain roughly at present levels until 1987. It is then expected to fall off to 350 tonnes a year, half present annual output rates.

Gripperrods ahead to £0.56m

TURNOVER of Gripperrods Holdings, maker of carpet laying fittings, advanced from £5.84m to £6.97m for the half year to October 31, 1979, and pre-tax profits moved ahead to £557,745, compared with £475,132.

Earnings per 10p share are stated up by 1.77p to 10.7p and the interim dividend is lifted to 2.25p (1.815p) gross—last *year's total payment* was 7.5p on record profits of £1.11m.

Tax for the half year took £290,027 against £251,869 and net profits improved by £44,455 to £267,718.

Utico returns to dividends

Utico Holdings, the South African tobacco and snack foods group which is 73 per cent owned by BAT Industries, has returned to the dividend lists after an absence of two years. The payment is 17 cents.

Pre-tax earnings for the 15 months to December 31, 1979, were R9.4m on turnover of R105.9m. In the previous year to September 30, 1979, the pre-tax figure was R5.7m from turnover of R71.5m.

Stated earnings per share are 68 cents (39 cents for 1977-78).

Comparison of operating figures for the 15 months and previous years is difficult. Though Utico has changed its year end to coincide with that of the British parent, the company's Rhodesian subsidiaries continue with a September year-end.

Mr. Enrique Rankin, chairman, is cautious on prospects for the current year. While uncertainty surrounds Rhodesia's future, the chairman hesitates to make firm projections of this year's likely group performance. He further cautions that while inflation continues to run at current levels, the group will need large earnings retentions to fund necessary tobacco leaf stocks.

Greenall Whitley

The first three months trade in the current year at Greenall Whitley and Co. produced modest increases in beer sales, but so far sales in the current quarter had been disappointing, Mr. C. J. B. Hatton, the chairman, said at the annual meeting.

Growth on the wines and spirits side had continued, but the chairman added that the group was concerned about possible duty rate increases in the forthcoming Budget.

NORTH AMERICAN NEWS

Income increase at CNA Financial

By Our New York Staff

CHICAGO-BASED CNA Financial, one of the largest insurance groups in the U.S., reported a sharp setback in underwriting in 1979, although there was an overall improvement in results for the year.

Operational net rose to $179.30m or $4.70 a share from $142.20m or $3.64 in 1978, on revenue which increased from $2.35bn to $2.07bn. CNA's fourth quarter net increased from $41.67m or $1.09 a share to $55.36m or $1.48 on revenue which rose from $521m to $725m.

Despite the property-casualty insurance underwriting loss narrowing from $8.3m to $5.9m in the fourth quarter of 1979 the underwriting loss for the year widened to $55.8m from $13.9m in 1978.

Higher investment income boosted property-casualty pre-tax operating net to $44.4m in the fourth quarter from $35.7m a year earlier, but over the year the pre-tax operating net slipped from $136.1m to $131.0m.

Life insurance pre-tax operating net fell to $8.3m in the fourth quarter from $17.2m in the final quarter of 1978 and consumer finance pre-tax net dropped to $2.5m from $3.9m.

Steel agreement

Nippon Kokan KK (NKK) has reached a basic agreement to supply Bethelehem Steel with continuous annealing technology, reports Reuter from Tokyo. Nippon Kokan declined to comment but said that it and Nippon Steel are negotiating technology sales separately with U.S. steelmakers, including Bethlehem Steel, Republic Steel and Inland Steel.

Strike hits first quarter at International Harvester

BY STEWART FLEMING IN NEW YORK

INTERNATIONAL HARVESTER, the Chicago-based farm equipment and truck manufacturing company, has suffered a $222.2m loss in its first fiscal quarter ended January 31, as a result of a three-month-old strike which has closed virtually all its U.S. plants.

Some 35,000 members of the United Auto Workers have been out since November, in a dispute over overtime provisions in the union contract. International Harvester has been seeking to bring the terms of the contract into line with those covering its competitors by removing voluntary overtime provisions in order to give the company more control on overtime working. But the union is resisting the change.

The union was expected to press its case in public yesterday at International Harvester's annual meeting in Chicago. The company, which had first resisted the union's moves to provide extra accommodation for shareholders at the meeting, subsequently agreed to plan for an overflow crowd.

The $222m loss in the first quarter was close to the company's mid-January estimate of $225m which compared with a profit of $58.8m in the same period a year ago. First quarter sales fell to $1bn from $1.61bn a year ago.

The company was able to maintain deliveries and to some extent offset the impact of the strike by careful balancing of inventories with the co-operation of dealers.

Mr. Archie R. McCardell, the chairman, said that the outlook for the remainder of the year depends primarily on the settlement of the strike. The union and the company may meet today for the first time since before Christmas.

Setback at Coca-Cola Bottling

HACKENSACK — Coca-Cola Bottling of New York the largest franchised bottler of Coca-Cola, attributed a decline in profits from continuing operations primarily to a substantial operating loss at its wholly - owned Jeannette Corporation subsidiary, which manufacturers glass, ceramic and other housewares.

Earlier, Coca-Cola Bottling reported that income from continuing operations fell to $11.6m in 1979 from $15.7m a year ago. Net earnings for the year were $8.3m against $14.2m in 1978.

Lower results in the wine division and an increase in interest expenses also contributed to the decline, although record earnings from the soft drink and leisure products division helped offset these factors.

The company said that year-end inventories of Jeannette and of the wine division were conservatively valued, because of lower levels of operation.

Despite the disappointing 1979 earnings, declaration of the regular quarterly dividend of 11 cents a share was an indication of confidence in the underlying strength of the company.

However, the board and management have undertaken an extensive review of dividend policy to determine what payout rate makes the most sense over the long term, particularly in view of the record high cost of money.

Various options will be examined, including a possible reduction in the payout rate to 30 to 35 per cent of previous years' earnings from continuing operations.

In 1980, it is expected shareholders also will receive a special dividend of shares in its riverboat companies as a result of a contemplated spin off of those units.

The company's existing insurance company lenders have agreed to purchase $43.5m 20-year 9.68 per cent senior promissory notes.

Proceeds will be used to repay $23.5m of prime rate related bank borrowings, with the balance applied to borrowings from insurance companies. This financing, when completed in April, 1980, will favourably affect 1980 financing costs. At December 31 last year the company had outstanding about $98m in long-term debt.

The company also said that the directors had approved a management proposal for a commitment of about $20m in capital funds to the soft-drink division in 1980.

The Board expects year-to-year earnings comparison from continuing operations to be unfavourable in the first half of 1980, but to improve in the second half.

It expects full-year 1980 earnings to recover from 1979 levels, but said it was unlikely they will return to 1978 levels. Reuter

Full-year earnings advance for ABC

By Our Financial Staff

AMERICAN Broadcasting (ABC), operator of one of the three national television networks, pushed operating earnings ahead by 25 per cent in 1979 to $159.3m, or from $4.60 a share to $5.67. Sales added 15 per cent to $2.05bn. In 1978, earnings from discontinued operations lifted the total net to $135.6m or $4.89 a share.

Mr. Leonard H. Goldensen the chairman described the results as "excellent," and attributed them primarily to the "outstanding performance of our television operations and a substantial reduction in operating losses resulting from the disposition of the recorded music operations."

In the final quarter, ABC turned in operating profits of $44.9m or $1.59 a share, a gain of 11 per cent. Disposal of the group's theatre division lifted the 1978 total to $45.5m. At $631.5m, sales put on 20 per cent.

Net income benefited in 1979 from increased interest income and a lower effective tax rate, said Mr. Goldensen. "As we look ahead to 1980 the market place for broadcast advertising remains robust, despite the uncertain economic climate," he said. "However, the heightened network competition and the extraordinary costs of news coverage of the crises in the Persian Gulf and the election year could moderate profit growth in 1980.

"In addition, our three new ventures, ABC Video Enterprises, ABC Motion Pictures and Travel Network Corporation are not expected to become profit contributors this year."

Currency losses and sales drop hurt Firestone Tire

BY OUR FINANCIAL STAFF

FIRESTONE TIRE and Rubber the second largest tyre producer in the U.S. said, in reporting a loss of $13.8m or 24 cents a share for its first fiscal quarter, that it had incurred foreign currency losses of $16.6m, in the period.

It also reported lower sales, which it blamed on a sharp drop in sales in the U.S.

In the same quarter last year Firestone made a profit of $34.8m or 60 cents a share. In 1979, Firestone turned a substantial loss into a profit of $1.35 a share and was expected to turn in a similar profit for 1980.

Firestone said that most of the exchange loss resulted from inventory effects of a substantial currency devaluation in Brazil.

"All the company's industry segments posted declines in operating profit from a year ago, with the biggest drop taking place in tyres and related products," said Firestone.

Some non-tyre operations were also hurt by the slump in car production.

Firestone said reduced driving, overcapacity in the tyre industry and stiff competition had also cut domestic profits. In addition, lower factory operating rates had increased unit costs.

Higher raw material and operating costs could not be passed along in price increases because of the competition.

Firestone expects continuing difficulties in the tyre industry until domestic car sales recover and energy and other problems affecting the economy begin to be resolved.

EUROBONDS

Trading mixed in dollar sector

BY FRANCIS GHILES

THE EUROBOND markets settled down to a much quieter day yesterday following the hectic trading conditions witnessed on Wednesday. The level of activity was described by most dealers as low with straight dollar bond prices finishing mixed on the day.

Some bond houses said they had seen some selling, others that some retail buyers had appeared during the morning when bond prices weakened before picking up later in the day.

Floating Rate Note issues were firmer yesterday as many dealers said they felt that the price falls posted on Wednesday had been overdone. The $75m ten-year FRN for Standard and Chartered Finance BV which includes a minimum coupon of 5¼ per cent and is managed by Schroder Wagg was quoted at 98¾-99¼ in the first day of its trading in the secondary market. Such a discount is not greater than the selling group discount of 1½ per cent offered to most investors.

The $12m 15-year convertible for Community Psychiatric Centers which carries a coupon of 8¼ per cent has Merrill Lynch International as its sole lead manager.

Worst hit yesterday were foreign Deutsche Mark bond prices. Older issues fell by as much as two points: for instance the Finland 6 per cent bond to 83 closed at 90 yesterday, two points down on its price at the close on Wednesday. A number of more recent issues were also badly hit: the 6¾ per cent Barclays bond to 89 fell 1⅝ points to close at 87.

Even issues which have just been completed such as the 8½ per cent Australia bond to 1990 shed ½ a point yesterday to close at 98½.

The domestic Deutsche Mark bond market was weak yesterday but the Bundesbank had to buy far fewer bonds—no more than DM6.8m worth—than on Wednesday to support the market.

German dealers expected prices of foreign Deutsche Mark bonds, which fell on average by a full point yesterday, to continue weakening today as money market rates are expected to continue rising. Yields offered on foreign Deutsche Mark bonds average 8½-9 per cent at present, while six-month deposit rates yield between 8.80 and 9.10 per cent.

Swiss franc bonds weakened yesterday for the third day running, with average price falls on foreign bonds of around ½ per cent.

● Spanish national railways (RENFE) has signed a contract to float yen-denominated bonds worth Y16bn in Tokyo

Nikkon Securities said the 10-year bonds will carry a coupon rate of 8.3 per cent and will be offered at an issue price of 99.25 per cent.

The bonds will be redeemable in annual instalments of Y1.6bn on March 1 in each of the years between 1986 and 1989. The final instalment of Y9.6bn will be made on March 1, 1998.

This is the second time that RENFE has floated bonds in Japan. In April, 1978, it made a Y16bn bond issue.

AMERICAN QUARTERLIES

AMERICAN NATURAL RES.	1979 $	1978 $
Fourth quarter		
Revenue	796.5m	680.2m
Net profits	60.87m	21.84m
Net per share	2.64	0.95
Year		
Revenue	2.51bn	2.10bn
Net profits	117.96m	127.42m
Net per share	5.13	5.58

ARVIN INDUSTRIES	1979 $	1978 $
Fourth quarter		
Revenue	132.33m	136.87m
Net profits	7.70m	7.00m
Net per share	0.88	0.89
Year		
Revenue	483.21m	488.80m
Net profits	20.42m	23.07m
Net per share	2.62	3.00

EDISON BROTHERS STORES	1979 $	1978 $
Fourth quarter		
Revenue	227.7m	228.4m
Net profits	17.054m	21.077m
Net per share	1.48	1.81
Year		
Revenue	793.4m	739.4m
Net profits	44.717m	45.992m
Net per share	3.87	3.95

DI GIORGIO CORPORATION	1979 $	1978 $
Fourth quarter		
Revenue	241.3m	248.3m
Net profits	2.133m	1.757m
Net per share	0.37	0.30
Year		
Revenue	1.03bn	922.5m
Net profits	11.076m	8.565m
Net per share	1.73	1.56

IOWA BEEF PROCESSORS	1980 $	1979 $
First quarter		
Revenue	2.13bn	909.0m
Net profits	13.51m	11.53m
Net per share	1.33	1.15

ROPER CORPORATION	1980 $	1979 $
Second quarter		
Revenue	103.05m	87.07m
Net profits	1.50m	0.68m
Net per share	0.29	0.12
Six months		
Revenue	188.72m	168.18m
Net profits	1.85m	1.70m
Net per share	0.35	0.31

ROYAL CROWN COMPANY	1979 $	1978 $
Year		
Revenue	421.4m	390.7m
Net profits	18.479m	1.381m
Net per share	2.01	0.17

SCOTT FORESMAN	1980 $	1979 $
Third quarter		
Revenue	42.8m	38.8m
Net profits	†0.256m	0.454m
Net per share	—	0.04
Nine months		
Revenue	225.8m	198.4m
Net profits	34.2m	29.0m
Net per share	2.94	2.51

†Loss.

SHERWIN-WILLIAMS	1979 $	1978 $
Fourth quarter		
Revenue	280.7m	273.1m
Net profits	2.852m	6.600m
Net per share	0.52	*1.28
Year		
Revenue	1,196m	1,132m
Net profits	18.028m	5.192m
Net per share	3.21	0.76

* Loss

SOUTHLAND CORPORATION	1979 $	1978 $
Fourth quarter		
Revenue	1,040m	815.4m
Net profits	13.476m	12.684m
Net per share	0.57	0.61
Year		
Revenue	3,880m	3,090m
Net profits	63.141m	57.097m
Net per share	3.64	2.75

UNITED ENERGY RESOURCES	1979 $	1978 $
Fourth quarter		
Revenue	957.80m	503.80m
Net profits	28.38m	15.95m
Net per share	2.20	1.43
Year		
Revenue	3.13bn	1.99bn
Net profits	111.68m	82.40m
Net per share	9.10	6.96

U.S. TOBACCO	1979 $	1978 $
Fourth quarter		
Revenue	62.00m	52.00m
Net profits	9.20m	7.18m
Net per share	1.03	0.81
Year		
Revenue	233.30m	205.80m
Net profits	32.00m	27.80m
Net per share	3.60	3.15

WHIRLPOOL CORPORATION	1979 $	1978 $
Fourth quarter		
Revenue	518.60m	442.70m
Net profits	25.83m	17.13m
Net per share	0.71	0.87
Year		
Revenue	2.26bn	2.08bn
Net profits	110.87m	99.60m
Net per share	3.06	2.75

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on February 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	78	78½	−0⅛	−3⅞	14.35
Alex Howden XW 9½ 91	30	†73	75	0	+0⅛	14.24
Aquitaine Can. 11¼ 85	30	†88½	89	−1⅛	−3⅞	14.60
Australian Res. 9⅝ 84	30	84⅞	85⅜	0	−2⅛	14.33
Avco O/S Cap. 10⅛ 87	40	74¾	75⅜	−0¼	−5⅞	15.28
Beneficial Fin. 9⅝ 87	100	78⅞	79⅜	+0⅛	−4⅛	14.60
CECA Grad. Rate 12 86	100	89⅝	90⅛	−1⅜	−2⅜	14.37
CECA 11⅜ 90	50	84	86	+0½	−4¼	14.57
Canadian Pacific 9¾ 89	50	75⅜	76¼	−0⅛	−5	14.82
Carter Hawley 9¾ 86	50	78⅝	79⅜	+0⅛	−4⅜	15.03
Comalco Inv. E. 10⅞ 91	40	78⅜	78¾	+0⅛	−4	14.12
Continental Grp. 9⅝ 86	100	78⅜	79¼	−1⅛	−3⅜	14.82
Dome Petroleum 10 94	50	68⅜	69⅛	0	−9½	15.48
Dominion Bridge 10⅝ 84	30	86	86½	+0⅛	−0⅜	14.73
EIB 11⅜ 92	80	83	83½	+0⅛	−4⅜	14.81
EIB 10⅛ 87	100	84½	85	0	−2¼	14.00
EIB 10.15 99	100	†73	75	+1	−4⅜	14.61
Ekportfin 11⅜ 87	50	85⅞	86⅛	−0⅛	−4⅜	14.55
Export Dv. Cpn. 9⅝ 84	100	85⅛	85⅝	+0⅛	−3⅜	14.26
Export Dv. Cpn. 9⅜ 84	150	85⅛	85⅞	+0⅛	−3⅜	14.22
Finland 9⅝ 89	100	78⅜	79⅝	0	−4	14.07
GTE Finance 9¼ 89	55	76⅛	76⅝	−0⅝	−3⅝	14.48
GMAC 9⅜ 86	100	78⅜	79¼	+0⅛	−4⅜	14.51
GMAC O/S Fin. 11 84	100	89⅛	89¼	+0⅛	−4	14.28
Gould Int. Fin. 9¾ 85	50	83⅜	83⅞	+0⅛	−2⅞	14.66
ITT Antilles 9½ 89	75	74⅜	74⅞	−2⅞	−4⅜	14.68
Kennecott Int. 9⅜ 86	100	75⅞	76⅜	−1⅛	−3⅞	15.75
Manitoba 9½ 89	75	76⅝	77⅛	+0⅛	−2⅜	14.16
Michelin 10 94	125	73	73½	−2⅞	−5⅞	14.48
Nat. Des. Telecm. 9½ 86	100	81¾	82⅜	+0⅛	−3⅛	13.93
New Brunswick 9⅜ 94	75	71⅜	72⅛	−0⅛	−3⅜	14.56
Newfoundland 10 94	50	70⅛	70⅝	+0⅛	−5⅜	15.21
Norges Komm. 9⅞ 99	100	75	75½	0	−2	13.85
Norway 9⅛ 84	150	85⅛	86⅛	−0½	−3⅛	14.18
Nova Scotia Pwr. 9¾ 89	50	75	75½	−0⅛	−5⅛	14.81
Occidental Fin. 10⅛ 94	50	85½	86	0	−2⅜	14.95
Orient Leasing 9½ 89	25	†82	82½	0	−2¼	13.84
Pennwalt O/S F. 9¾ 94	25	83⅜	83⅜	−0⅛	−2⅞	15.23
Pepsico Cap. 9⅜ 84	100	85⅝	86½	−0½	−2⅜	14.07
Quebec Hydro 10 89	75	66⅜	67⅛	0	−6⅜	15.41
Sears Roebuck 9 82	150	90	90½	−0⅛	−2⅞	15.04
Statoil 9⅜ 89	100	76⅜	77⅜	−0⅜	−3⅞	14.16
Sweden 9¾ 89	100	76¼	77⅛	+0⅛	−4	14.39
Sweden 9½ 89	200	82½	83⅛	−0⅛	−3⅞	14.17
Sweden 9⅜ 94	100	85⅝	86⅛	+0⅛	−3⅞	14.17
Unilever NV 9¾ 87	100	77	77½	−0⅛	−4¼	14.42
Warner-Lambert 8 94	100	84⅛	84⅝	−0⅛	−2½	13.98

Average price changes... On day −0⅛ on week −3⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87	100	†96	96½	−0⅛	−1⅛	8.68
Asian Dev. Bk. 7¼ 89	100	†88	88½	−1¼	−3	9.15
Barclays O'seas 6¾ 89	100	†86½	87½	−1⅛	−2⅜	8.87
BFCE 7¼ 87	100	96⅛	96⅞	−1¼	−2¼	8.43
BFCE 8½ 95	100	94	94½	−0⅞	−2⅜	8.83
Brazil 8 87	150	93⅛	93⅞	−0⅜	−0½	8.23
CECA 7 81	150	88⅜	89¼	−0⅜	−1⅜	8.56
Council of Eur. 7¼ 89	100	90½	90⅝	−0½	−1¼	8.81
Denmark 7⅞ 89	100	94⅜	94⅞	−1⅛	−2⅜	9.08
Denmark 8¼ 92	100	96⅛	97⅛	−0¼	−1⅛	8.64
EEC 7⅞ 94	225	92⅜	93	−1⅛	−2⅜	8.79
EIB 7¼ 89	200	93½	94	−0⅛	−1½	8.49
Finland Rep. of 8 86	150	96½	97	−0⅛	−2⅜	8.94
Kobe, City of 7½ 89	150	89⅛	89⅝	−1⅛	−1⅞	8.80
Neder. Gasunie 8 86	100	98½	89¼	−0⅞	−2⅜	8.21
New Zealand 7½ 87	200	†90⅝	91⅛	−0⅛	−1⅛	8.79
Nippon Tel. & T. 5½ 87	100	82⅝	83½	−0⅛	−1⅛	8.91
Norges Komm. 7¾ 91	150	†91	92	−1⅛	−3⅜	8.96
Norway 8¼ 94	200	†90½	92	−0⅜	−1⅛	8.97
Norway 7½ 85	250	96⅝	96⅞	−0⅛	−1⅛	8.36
OKB 8 87	40	†86	87	−2	−2	8.67
OKB 7⅛ 89	100	91	92	−0⅞	−2⅞	8.70
World Bank 7⅜ 91	400	92⅛	92⅛	−0⅞	−1⅞	8.81
World Bank 7⅞ 60	250	92	92½	−2	−3⅜	8.09

Average price changes... On day −1 on week −2

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	94	94½	−1¼	−1⅛	6.33
Aumar 5 89	60	92½	93½	−0⅛	+0⅛	9.99
Australia 3⅛ 89	250	87⅜	88⅛	−1⅛	−2⅛	5.32
Bergen, City of 4⅜ 81	40	90⅛	92⅛	−1⅛	−1⅛	5.78
BNOE 5 89	75	84	84½	+0⅛	−2	7.37
BMW Overseas 4¼ 91	100	90⅛	90⅞	−0⅛	−1⅞	5.35
Caisse Nat. Tels. 4⅜ 89	100	89⅛	90⅛	−0⅛	−0⅛	5.77
Canada 3⅝ 89	300	89½	86	−1	−1⅞	5.21
Copenhagen 4½ 81	60	87½	89⅛	−0⅛	−1⅛	6.87
Council of Eur. 5 89	100	92½	92⅛	−0⅛	−1	6.02
EIB 4½ 91	100	88½	89	−0½	+0⅛	5.88
EIB 4⅜ 94	100	88¼	86⅛	+0⅛	+0⅛	5.83
Elect. de France 4⅜ 89	100	91½	92	−0⅛	+0⅛	5.52
GZB 4¼ 89	100	83½	84	−2	−5⅜	8.57
Hilti 4⅜ 81	35	91½	92⅜	−2	−4½	5.18
Int.-Amer. Dev. 4½ 89	100	89⅛	89¾	−0⅛	−1⅛	5.98
Jutland Tels. 5½ 90	50	99	99½	−0⅛	−0⅞	5.60
Malaysia 5 89	80	86	86½	−2⅛	−2⅛	7.00
Nippon Tel. & T. 4⅜ 89	100	90⅜	90½	−0⅞	−3⅛	5.57
Nordic Bank 5 89	45	85	85½	−0⅛	+0⅞	5.66
Norges Komm. 4⅜ 81	100	86½	87	−2	−1⅛	5.98
OKB 3⅜ 91	100	81½	82	−1⅛	−2⅛	6.06
OKB 4⅜ 81	100	84¼	85⅛	−0⅛	−3⅛	8.22
Oslo, City of 4⅜ 91	100	85	89	+0⅛	−2⅛	6.15
Shikoku El. Pwr. 4⅞ 89	100	94	94½	−0⅛	−0⅛	5.54
Spain 4 81	100	85	86	−0⅛	−0⅛	5.81
Steweag 4⅜ 81	60	90	90½	−0⅞	−2½	5.85
Voest-Alpine 4⅜ 89	90	90⅛	90⅛	0	−3	6.12
World Bank 4⅜ 89	100	93	94	−2⅛	−5⅛	5.62
World Bank 4⅜ 89	150	89⅛	89⅜	−0⅛	−2½	5.87
World Bank 4⅜ 91	100	88⅛	89⅛	−0⅛	−2⅞	5.89

Average price changes... On day −0⅞ on week −1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	85⅜	86⅜	−1⅛	−2⅛	10.30
Australia 6½ 88	20	82	83	0	−2⅛	9.70
EIB 7⅛ 89	12	89⅝	90⅝	−4⅛	−8⅛	8.35
Finland 5.8 83	10	86	87	−0½	−2	10.15
Finland 5.8 89	10	83	84	−0⅛	−2⅛	9.84

Average price changes... On day −1⅛ on week −2⅞

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin. 10⅞ 86 C$	25	80½	81⅜	−0⅛	−0⅜	16.06
Bell Canada 10⅛ 86 C$	60	85½	86	0	−2⅛	14.17
Cr. Foncier 10½ 84 C$	30	86⅜	87⅛	+0⅛	−0⅜	14.49
Ex. Dev. Cpn. 10 84 C$	50	87½	88	0	−1⅛	13.98
Fst. Can. Inv. 10 84 C$	50	87⅜	87⅞	+0⅛	−0⅛	14.03
Hudson Bay 10½ 89 C$	60	81⅜	82⅛	−0⅛	−3½	14.10
Quebec 10⅛ 86 C$	50	80⅛	82	0	−4¼	15.12
R. Bk. Canada 10 86 C$	40	84⅞	85⅛	−0⅛	−3⅛	13.67
R. Bk. Canada 10 94 C$	40	74⅛	74⅜	−0⅛	−4⅛	14.28
Copenhagen 8½ 91 EUA	20	97	98	0	0	8.10
M. Bk. Dnmk. 8 91 EUA	25	94½	95½	0	0	9.72
SOFTE 8¼ 89 EUA	40	86½	87⅜	0	0	10.62
Algemene Bk. 8¼ 84 Fl	75	93	93½	−1¼	−2¼	10.14
Ned. Gasunie 8⅜ 84 Fl	50	94⅛	94⅞	−1⅛	−2⅛	10.39
Ned. Middbk. 8⅛ 84 Fl	75	93⅜	93⅞	−0⅛	−1⅝	10.21
Norway 8⅛ 84 Fl	100	92⅞	93⅜	−0½	−2⅛	10.40
Norway 8⅛ 84 Fl	100	92⅞	93⅛	−0⅛	−2	10.16
Philips Lamps 8⅛ 84 Fl	75	94½	95	−0⅞	−1⅛	9.98
Air France 11 94 FFr	120	96	97	+0⅛	−0⅛	12.00
Euratom 9⅛ 87 FFr	150	85	86	+0⅛	−0⅛	12.91
Finland 11 84 FFr	80	95	96	−0⅛	−0	12.28
Finland 11½ 89 FFr	70	93⅛	94⅛	−0½	−0⅛	12.80
Gaz de France 11 84 FFr	160	94⅜	95⅜	−0⅛	−2⅛	12.39
IBM France 11⅜ 84 FFr	120	96⅛	97⅛	0	0	12.79
Renault 9⅜ 85 FFr	100	86½	87½	0	−0⅛	13.24
Saint-Gobain 9⅜ 86 FFr	130	85	86	−0⅛	−0⅛	13.29
Solvay et Cie 9⅜ 87 FFr	125	82¼	83¼	−0⅛	−0⅛	13.88
Total Oil 9⅜ 87 FFr	150	82½	83½	−0⅛	−0⅛	13.21
Citicorp O/S 13½ 60 £	50	93⅛	93⅞	−0⅛	−1⅛	14.75
EIB 11½ 91 £	25	82½	83⅛	+0⅛	−2⅛	14.63
Finance for Ind. 13 91 £	15	93⅜	94⅛	−0⅛	−0⅛	14.14
Fin. for Ind. 12½ 89 £	30	87½	88½	+0⅛	−2⅞	14.92
Gen. Elec. Co. 12⅛ 89 £	50	90⅝	91⅛	0	−1⅛	14.38
Indonesia 8⅛ 91 KD	7	†93	93½	0	0	9.74
Mitsubishi 7½ 84 KD	10	†96⅛	95⅞	0	0	8.71
Norges Kom. 7½ 89 KD	12	†93⅛	93⅞	0	0	8.52
Occidental 8⅛ 91 KD	7	†90⅛	90⅛	0	0	9.66
Akzo 9⅛ 87 LuxFr	500	94⅛	95⅛	−0⅛	−0⅛	10.28
Euratom 8 87 LuxFr	500	88⅞	89⅞	0	−0⅛	10.17
Euratom 9⅛ 88 LuxFr	500	99⅛	100⅛	0	+0⅛	9.76
EIB 9⅛ 86 LuxFr	600	99⅜	100⅜	0	0	9.70
Volvo 9⅜ 87 LuxFr	500	98⅛	99⅛	0	+0⅛	9.95

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¼ 87	0⅛	97⅞	98⅛	2/7	15½	15.45
Banco di Roma Int. 5 87	0⅛	98	98½	28/4	15⅛	15.67
Bank of Ireland 5⅛ 89	‡0⅛	†97⅛	97⅜	21/5	16⅛	15.54
Bank of Tokyo 5⅛ 89	‡0⅛	97⅛	97⅝	25/4	14.56	14.96
Barclays O/S Inv. 5 90	0⅛	96⅞	97⅛	13/5	14⅛	14.67
Bergen Bk. A/S 8 89	‡0⅛	96⅞	97⅛	29/2	14.31	14.74
Bque. Indo Suez 5⅛ 89	0⅛	98	98½	11/7	14.69	14.96
Citicorp O/S F. 5 94	‡0⅛	98⅜	99⅛	8/3	14.44	14.60
Citicorp O/S F. 83	§‡0	99⅛	99⅞	23/2	15⅛	15.18
Citicorp O/S F. 94	‡0	99⅛	99⅜	29/2	14⅝	14.72
Co-operative Bk. 5 86	0⅛	97⅜	98⅛	15/5	15.06	15.39
Creditanstalt 5½ 91	§‡0⅛	97½	98⅛	14/3	14⅞	15.16
CNT 5⅛ 86	§0⅛	98⅞	99⅛	15/4	15.19	15.32
GZB 5½ 89	‡0⅛	97⅜	97⅞	1/5	14⅝	14.98
Jugobanka 5 89	0⅞	92	93	23/5	16	17.30
Ind. Bank Japan 5⅛ 87	0⅛	97⅛	97⅜	15/4	14⅛	14.63
LTCB Japan 5⅛ 89	0⅛	96⅞	97⅛	13/6	14⅛	14.67
LTCB Japan 5½ 89	0⅛	96⅝	97⅛	7/8	14.19	14.65
Mfrs. Han. O/S 5¼ 94	‡0⅛	98½	99	29/2	13.81	13.99
Midland Intl. Fin. 5 89	0⅛	98⅛	98⅜	20/6	15	15.23
Nacional Fin. 5⅛ 86	0⅛	96⅞	97⅜	25/7	14.89	15.12
Nat. West. 5⅛ 94	§0⅛	97⅛	97⅝	11/4	14.94	15.30
Nippon Credit 6½ 86	0⅛	96⅞	97⅜	12/7	14.44	14.87
Nippon Credit 5⅛ 87	‡0⅛	97⅜	98⅛	6/5	14.69	15.01
Royal Bk. Scot. 5¼ 94	§‡0⅛	97⅝	98⅛	11/4	14⅛	14.90
Soc. G. de Bque. 6½ 87	0⅛	96	96½	3/4	13⅛	13.77
Sogenal 5⅜ 89	§0⅛	96	96½	13/7	14.44	15.00
Sweden 8⅛ 91	‡0⅛	96⅜	97⅛	18/4	14.44	14.88
TVO Pwr. 8 91 (D-lock)	0⅛	96⅞	97⅛	24/5	15.31	15.77
Williams & Glyn 5⅛ 91	0⅛	97⅛	97⅜	14/3	13	13.33
Sq. E. d'Alq. 4⅛ 89 SF	0⅛	91	91½	18/6	6.69	7.32

Average price changes... On day −0⅛ on week −0½

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7⅛ 89	10/79	145	117	118	+0⅛	−6.91
Ajinomoto 7⅛ 95	2/80	618	94⅞	95⅞	−0⅛	6.54
Alco Int. Fin. 9½ 84	1/80	40	94⅛	95½	−1⅛	16.77
Asahi Optical 7 94	11/79	605	83⅛	84⅛	+0⅛	4.73
Canon 5⅛ 94	8/79	670	102	103	−0⅛	1.74
Ciba-Geigy O/S F. 4 94	9/79	675	85⅛	86⅛	−1	−4.37
Credit Suisse 4⅛ 93	10/79	1325	109½	111⅛	+0⅛	−3.34
Daiei Inc. 6½ 94	11/79	1020	91	92	−0⅛	5.10
Enoorch Fin. 9½ 94	7/80	30.25	112⅞	113⅞	+0⅛	7.60
IPC Internatnl. 8 89	9/79	35	117½	118⅛	+1⅛	3.36
Moldoneha Elec. 7 94	12/79	210	89	90	0	21.02
Mitsubishi Cp. 6½ 94	10/78	604	115⅛	116⅛	−0⅛	8.00
Nippon Seiko 7⅛ 94	12/79	339	97⅛	98½	−4⅛	−4.56
Nitto Elec. Ind. 8 94	7/79	735	72⅛	73⅛	+0⅛	8.49
Toshiba Cpn. 7¼ 94	10/79	198	96⅛	97⅛	+0⅛	4.03
Union Bk. Switz. 5 89	2/80	125	102½	105⅛	−0⅛	−3.00
Fujitsu 5 84 DM	7/79	475	99⅛	100½	−0⅛	24.62
Kansai Elec. 4 84 DM	4/79	1234	†83	84	−0⅛	49.64
Tokyu Ld. Cp. 4 86 DM	4/79	493	†74½	75⅛	−0⅞	37.14
Uny Co. 6½ 85 DM	11/79	1071	90½	91⅛	−1	31.56

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Profits for Air France in oil price turbulence

BY TERRY DODSWORTH IN PARIS

THE IMPROVED health of Air France, the nationalised French airline which ran up losses of a little over FFr 1bn ($250m) in the three years up to 1976, was underlined last year by a steady improvement in its sales and productivity.

The company's overall performance, in terms of profits and additional traffic, was not as spectacular as in 1978, when it bounced back from the post-1973 oil crisis to mark up its first adequate results for six years.

By contrast, 1979 proved to be a year of consolidation, in which the company weathered the new surge in oil prices sufficiently well to produce a net profits increase of 6.4 per cent from FFr 235m to FFr 250m in its subsonic operations.

Announcing these results, M. Pierre Giraudet, chairman, emphasised that Air France had now achieved a new stability. It was in much better shape to ride any slump in world activity than it had been in 1974, he said, and had developed a fleet of Boeing 747s and European Airbuses which gave it operating costs as economic as any airline in the world.

This factor would be particularly important given the rise in fuel costs, which are expected to go up from 20 per cent to 25 per cent of the group's operating expenses this year.

The most dramatic feature of the results was an increase of almost 20 per cent in revenues to FFr 13bn. But this reflected tariff increases caused by fuel price rises as much as the number of extra passengers carried, which rose by only 6.8 per cant to 10.8m.

However, by two key measures, the company showed further improvements, pushing up its seat occupancy rate from 63.9 per cent to 64.4 per cent, and achieving a productivity increase of about 7 per cent on the basis of passengers carried per kilometre. These figures would have been even better except for the French air traffic controllers' dispute, which hit Air France's business at the end of last year.

Although Air France reckons that 1980 will be a difficult year, it is sticking to an ambitious expansion programme. In the period to the end of 1983 it is aiming to expand its business by 30 per cent while creating some 3,500 new jobs. Last year its work force went up by 900, following a period in which it has been kept virtually steady at a little under 32,000.

With cash flow rising by 35 per cent last year to FFr 1bn for its subsonic operations, Air France is aiming to finance a substantial part of its five-year FFr 12bn investment plan from its own resources. But it will also have to rely on further borrowings and additions to its state-funded capital.

On its non-Concorde operations, however, direct state subsidies to the company are now declining. These amounted to FFr 210m in 1978, but dropped to FFr 165m last year, and are expected to amount to only FFr 76m this year.

In 1979, the subsidies were shared between the cost of operating the Caravelle fleet which was forced upon the company by the Government (FFr 85m), and the expense of operating out of the two Paris airports at Orly and Roissy, another Government prescribed constraint (FFr 80m). Air France did not exercise its rights to demand subsidies on some of the unprofitable routes which it has been asked to operate, although this forma part of its contract with the state.

Concorde operations also attracted a heavy FFr 67m subsidy from the Government last year, with Air France bearing another FFr 29m of the supersonic aircraft's operating losses. In addition, the company had to underwrite FFr 11m of previously incurred charges on Concorde.

These Concorde charges (which exclude FFr 203m paid by the government for depreciation on the aircraft), mean that the net profit of the group was reduced to FFr 210m. This compares with a figure of FFr 197.5m last year.

VFW link with MBB faces difficulties

By Roger Boyes in Bonn

THE PLANNED merger between the West German aerospace companies Vereinigte Flugtechnische Werke (VFW) and Messerschmidt-Boelkow-Blohm (MBB) is being seriously complicated by VFW shareholders' scramble to secure a stake in the new joint concern.

VFW announced last week that it is to split from its Dutch partner Fokker at the end of the month as the first step toward a merger with the large Bavarian-based air concern MBB. This move, encouraged by the Bonn Government, is intended to create a new independent aerospace industry in West Germany as a potential rival—or partner—of British Aerospace and Aerospatiale of France.

VFW's shareholders have already begun to flex their muscles, clearly anxious that their current shares should be significantly reflected in the composition of the new merged company. The Krupp group, for example—VFW's major private shareholder with 35.2 per cent—has been holding out for its own seat on the supervisory board of the new company, as well as 10 per cent of the shares.

Meanwhile, the city state of Bremen, through Hanseatische Industriebeteiligungen, has been considering whether it can feasibly mop up the remaining shares and thus ensure a voice in the planned VFW-MBB concern and guarantee employment to the Bremen workforce. With a 26.4 per cent holding, it seemed in a good position to make such a move. The other shareholders are United Technologies Corporation of the U.S., also with 26.4 per cent, and two members of the Heinkel family, with 9 and 3 per cent respectively.

But United Technologies has flawed these plans by announcing that it has no wish to sell out, and indeed is actively considering expanding its stake. It has first option to buy Krupp's shares — although a Krupp sale appears unlikely—and its ultimate aim would seem to be a foothold in MBB's lucrative European military projects.

Volvo outlines plans with Renault for second half of the eighties

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO CAR CORPORATION achieved record turnover, unit sales and production in 1979. Turnover increased by 22 per cent on the 1978 level to SKr 12.5bn. ($2.93bn). Volvo built 320,000 cars, up 23 per cent, and sold 302,000 a nine per cent rise.

The corporation entered 1979 with low stocks, and the excess of production over sales last year was to correct this. However, faced with the prospect of a downturn in worldwide demand for its big cars, the 240/260 series, Volvo last week cut back production levels.

The current rate of output for the 240/260 series is 210,000 a year compared with 230,000 in 1979. Demand for the smaller cars, the 340 series, built in the former Daf plant in Holland, continues to improve, and output this year should rise to 95,000 against 90,000 in 1979.

Mr. Hakan Frisinger, president of the Corporation, said yesterday that sales in Volvo's major markets had held up well in January, and the cut-back in production might prove too severe.

But the company had little flexibility in Sweden, where lay-offs were difficult to implement, and it needed to

Hakan Frisinger, president, Volvo Car

reduce output in good time to prevent stocks rising excessively.

Volvo is expecting its car sales in Sweden this year to match the 54,500 for 1979. And there should be worthwhile sales increases in the two major export markets, the U.S. and the UK.

In the U.S., where Volvos are seen as high-priced imports, the corporation for the past few years has been resisting any temptation to grow fast and has restricted sales increases to 8 to 10 per cent a year. This enabled the company to provide adequate back-up service and improve the dealer network in the U.S., which now numbers 408. This year, sales in the U.S. should reach a record 61,000, compared with 53,800 in 1979

In the UK, Volvo Car's third-biggest market and where it is represented by the Lex Group as importer, sales in 1980 are expected to reach 40,000 against 36,600 last year.

Mr. Frisinger pointed out that Volvo was one of the few vehicle manufacturers to show profits throughout the 1970s. Volvo Car emerged as a separate operating company in January this year to pave the way for the co-operative venture with Renault of France. Eventually this should see Renault take a 20 per cent stake in Volvo Car.

The results of the co-operation will not show up until the second part of the 1980s. Mr. Frisinger said the two companies had compared future product development plans and were in the process of deciding how responsibilities should be allocated between them.

"Later, we want to combine volume production," he added. When the annual output of Volvo's 240/260 series, around 250,000, was added to Renault's in the same market sector, the combination was "the biggest of its class in Europe." And combining the 340 series Volvo, with a potential annual output of 100,000, to Renault's production of 350,000 similar cars, would create "worthwhile volume."

But he stressed that, although they might share components, the Renault and Volvo models would retain individual characteristics and look different. From the mid-1980s, Volvo Car and Renault would share as many components as possible in their cars. "We will also share production, using existing production facilities where this makes sense," said Mr. Frisinger.

Dealing with the Volvo Car operations in Holland, where the 340 series plant has an annual capacity of 120,000 and has been making substantial losses, Mr. Frisinger insisted the company was "ahead of the plan we made a couple of years ago."

Pulling Volvo Holland round "was one of the toughest jobs in the automotive world. But we still have a fair chance of doing it," he said.

Swiss group buys German newspaper

By John Wicks in Zurich

THE HAMBURG daily newspaper "Hamburger Morgenpost," which was to have ceased publication on February 29, is to continue in existence under Swiss control. The Basle publishing house Greif AG has acquired a 60 per cent stake in the newspaper. The remaining 40 per cent is to be held by the Federal German Social Democratic Party.

The paper, the biggest Social Democratic daily in the country, has seen its circulation fall from some 500,000 to 230,000 and has been in difficulties for some years.

GHH of Germany places hope in energy crisis

BY OUR BONN STAFF

EUROPE'S largest mechanical engineering group, Gutehoffnungshuette, is looking forward to a strong result this year, despite sharpening competition on overseas markets and the latest round of oil price rises.

Dr. Manfred Lennings, chief executive of the West German concern, suggested at the annual meeting yesterday that the energy crisis could work in favour of machine construction companies such as GHH. The need for more efficient energy-using machinery had boosted investment levels among German companies and had increased demand for a broad range of engineering products.

Certainly GHH's order books do not seem to have suffered unduly from cut-backs by cost-conscious customers. In the first six months of the business year ending on June 30, New orders increased by 23.2 per cent to DM 7.2bn ($4.16bn) and the foreign share of this has stayed at a stable 44.3 per cent. Orders in hand in January were worth DM 16.1bn—a rise of 4.2 per cent over the first six months of 1978-79—while turnover has increased by 14.9 per cent to DM 6.6bn.

Schering completes its fourth U.S. purchase

BY LESLIE COLITT IN BERLIN

SCHERING, the West Berlin-based pharmaceutical group, has completed the take-over of the American Chemcut Corporation of Pennsylvania.

The U.S. company, Schering's fourth American acquisition, cost $11.6m and had a turnover last year of some $16m.

Chemcut manufactures machinery to produce printed circuits, and is to be integrated into Schering's electro-plating division. The Berlin company, which had group turnover of DM 2.7bn ($1.5bn) last year, hopes to increase sales of printed circuits in the U.S. Schering says that American companies have a world share in this product of about 50 per cent.

Significant gains for Storebrand

BY FAY GJESTER IN OSLO

STOREBRAND, Norway's largest insurance group, reports premium income for 1979 of NKr 2.33bn ($477.8m) 9 per cent up on a year earlier. A preliminary statement describes overall results last year as satisfactory, permitting a further strengthening of reserves and providing a significantly larger profit than in 1978.

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Companies and Markets

INTNL. COMPANIES and FINANCE

Full year profits rise at Canon

By Yoko Shibata in Tokyo

CANON, the Japanese manufacturer of cameras and business machines, increased its operating profits by 59.6 per cent to Y18.58bn ($75.8m) in the year to December 31. Net profits rose 51.8 per cent to Y11.331bn, and sales 36.9 per cent to Y187.47bn ($765m).

The company has lifted the year-end dividend to Y5.00 from Y3.75, to make a total for the year of Y8.75, against Y7.50, on per shara profits of Y51.76, compared with Y35.03.

The marketing of a new camera model, the AV-1, to go with the established A-1, helped to raise sales in the camera division by 34 per cent, to accouut for 52 per cent of total turnover.

Canon strengthened its position in the Plain Paper Copier (PPC) market by introducing a new high speed model, NP200J. Copier sales rose 42 per cent, to account for 25 per cent of the total. Sales of semiconductor prodncing equipment (mask-aligners), of which the company holds 35 par cent of the world market, jumped 52 per cent, to reach 11 per cent of the total.

The company's desk-top calculator sales also fared well, rising 28 per cent, to 12 per cent of overall sales, helped by brisk overseas sales.

Export sales in total were up 45 per cent, and accounted for 72 per cent of all sales.

In spite of the 30 per cent depreciation in the yen in the foreign exchanges and the large share of exports in sales, the company made exchange losses of Y5.8bn. Having experienced a squeeze in profits in 1978, as the yeo appreciated sharply, the company decided at the start of the year to hedge its export receipts several months forward, against the possibility of a further appreciation. As the reverse happened, Canon's export profitability did not recover until the second half of the year.

For the current fiscal year the company plans to expand the market share of its middle-quality cameras, along with the fast-growing single-lens reflex A-1, and AV1. Further growth in sales of PPCs, centring on the NP200J are expected. As a result, operating profits, it is thought, will reach Y23bn, np 23.8 per cent, and net profits Y12.5bn, up 10.3 per cent, on sales rising 22.7 per cent to Y230bn.

Vereeniging Refractories well ahead

By Jim Jones in Johannesburg

VEREENIGING Refractories (Verref), South Africa's largest manufacturer of refractory bricks, increased its pre-tax profit by 47.5 per cent to R13.54m ($16.7m) in the year to December 31, from R9.18m in 1978. Bnt good though this result was, the group's switch to LIFO (last in first out) accounting meant that pre-tax profits were R1.56m lower. Thus, on a comparable basis, pre-tax profit would have advanced by 64.5 per cent to R15.1m.

Turnover rose 23.3 per cent to R77.3m ($95.2m). Verref's largest contributor to profits remains refractories, with higher capacity installed for import replacement and axports. Elsewhere, the group's roof tila division, Coverland, has yet to experience in full the benefits of improved bousing demand.

The group remains highly liquid with no major expansion plans on the drawing board. But even so, dividend policy remains conservative. From earnings per share of 144 cents, against 98.9 cents, dividends totalling 48 cents, compared with 36 cents, have been declared.

First-half increase by Calan

By Our Johannesburg Correspondent

CALAN, THE South African manufacturing group with interests in rubber, plastics, lighting, electrical equipment, and tyre distribution has reported better results for the six months to December 31.

First-balf turnover rose 22 per cent to R87.8m ($108m), from R72.3m in the same period of the previous year. Despite slacker conditions in tyre markets, higher plant throughputs elsewhere gave better overall margins and resulted in a 42 per cent pre-tax profit advance to R5m ($6.1m), from R3.5m.

During the first six months, Calan earned 45.1 cents per sbare, compared with 37.1 cents, from which an interim dividend of 11 cents, against nine cents, has been declared.

Sime Darby lifts interim earnings and dividend

BY WONG SULONG IN KUALA LUMPUR

SIME DARBY, the Malaysian multinational, increased its first-balf pre-tax profits by 21.8 per cent to 135.2m ringgit (US$62m), from 111.3m ringgit in the same period of the previous year, and has lifted its interim dividend to 6 ringgit a share, from 5 ringgit a year earlier. A one-for-three scrip issue is planned.

After-tax earnings in the six months to December 31 rose by 26.8 per cent to 76.6m ringgit, before minorities of 25.7m ringgit, from 60.4m ringgit before minorities of 23.5m ringgit. Turnover was up 29.3 per cent to 1.11bn ringgit (US$510m), from 858.2m ringgit.

The directors expect the final dividend on the enlarged capital for the year ending June, to be not less than 7.5 cents, which would be equivalent to 10 cents before the scrip issue.

The group's two major subsidiaries—Consolidated Plantations and Tractors Malaysia—are also raising their dividends following 13 per cent and 47 per cent rises respectively, in their interim earnings.

The scrip issue will increase Sime's paid-up capital to 283.4m ringgit.

A breakdown shows that Sime's plantations division contributed 53 per cent of the group profits before interest and tax, compared with 60 per cent; the tractors division 28 per cent against 25 per cent; and the trading and manufacturing division in Hong Kong, ASEAN and the Pacific basin 17 per cent, compared with 13 per cent previously.

Sime's 62 per cent owned Consolidated Plantations is paying a dividend of 7 Malaysian cents per 50 cents share against 6.7 cents previously, while Tractors is making a 12.5 cent payment per 1 ringgit share against 10 cents.

Consolidated Plantations' pre-tax earnings rose moderately, by 13 per cent to 59.8m ringgit, with aftar-tax profits rising by 11.6 per cent to 32.7m ringgit.

The profit growth was largely the result of bigher palm oil sales and hetter prices for rubber. Palm oil sales rose from 64,000 tonnes to 72,000 tonnes, although prices received were only marginally hetter. In the case of rubber, sale volume was down by 2.5 per cent at 14.6m kilos, hut the price rose by 18 per cent.

On the Trsctors side, the continuing strong demand for equipment and services from the Malaysian logging industry hoosted group sales by 48 per cent to 308m ringgit. Pre-tax profit was up by 47 per cent at 38m ringgit, while after-tax profit was 42.6 per cent better at 19.4m ringgit.

Tractors said that every company within its group showed a substantial improvement in performance and earnings.

Three of Sime Darby's plantation subsidiaries — Kempas, Benta, and Taiping Consolidated—which published their interim results last week, showed a disappointingly moderate growth in earnings despite strong commodity prices.

Kempas, which is Sime's second biggest plantation group after Consolidated Plantations, reported a 12 per cent increase in pre-tax profit to 19m ringgit for the six months ending December, while Taiping Consolidated's pre-tax profit growth was down 6 per cent to 410,000 ringgit. However, Benta's earnings were up by 28 per cent to 5.2m ringgit.

Sales of palm oil by Kempas increased by 13 per cent to 26,000 tonnes, but sales of palm oil products rose 127 per cent to 50,000 tonnes.

Kempas has declared an interim dividend of 14 cents against 12 cents, while Benta and Taiping have maintained their payments at 8 and 10 cents respectively.

Higher tax limits Monier gain

BY OUR SYDNEY CORRESPONDENT

MONIER, the building products gronp, raisad its earnings by 17 per cent, from A$5.97m to A$7.0m (U.S.$7.7m) in the six months ended December. The directors have lifted the interim dividend from 5 cents a share to 5.5 cents. Last year, the company paid a final of 6 cents.

Group sales advanced by 25 per cent from A$108m to A$136m (U.S.$150m). Pre-tax earnings rose 39 per cent, from A$9.7m to A$13.5m, but the tax provision was up 79 per cent from A$3.5m to A$6.25m, reflecting the abolition of the trading stock valnation adjustment for tax purposes, a halving in the tax deduction from the investment allowance in Australia and higher taxation applying to certain overseas operations.

The directors said that both Australian and overseas operations contributed to the improved result. The stronger contribution from Australian operations was aided hy a more favourabla economic environment, an increased tempo of activity in the building and construction industries, and a prosperous rural sector.

Activity in the home building industry remained firm. A high level of activity continued in the home improvements sector, and the roofing, masonry and raw materials divisions all shared in the better markets. The pipe and contracting division enjoyed a more active trading period, with sales and profits well up, but the metal products division was inhibited overall by reduced consumer spending.

Monier's associated companies in Japan, Indonesia, Malaysia, and Thailand all showed improvements. Results from Papua New Guinea and New Zealand were comparable with those of the same previous period. Sales and profits of the roofing and fly ash activities in the U.S. were more than maintained.

Australian operations, the directors said, should continue to progress in line with increased activity in the economy and improvements in the building and construction fields. Overseas, profits from the U.S. would be assisted by the fly ash and metal building components businesses, althougb redneed housing starts were expected to result in only steady earnings from roofing operations.

Monier is 47.6 per cent owned by Redland, of the UK.

Repco little changed at midway

By James Forth in Sydney

REPCO, the major Australian automotive products group, achieved only steady earnings in the half-year ended December. Pre-tax profit edged up from A$20.2m to A$22.0m (U.S.$24.3m), but net earnings dipped from A$11.59m to A$11.45m. Tax took A$10.0m compared with A$8.27m in the same previous period.

Despite the result showing little change, the board lifted the interim dividend from 4 cents a share to 4.5 cents. The directors said that the loss of tax relief in the form of trading stock valuation adjustment had adversely affected earnings.

Sales to the original equipment market increased by 27 per cent, but sales to the after-market rosa by only 7.5 per cent.

The board said that the second half had opened slowly and that making predictions for the full year was difficult.

Debenture offer by CSR

By Our Sydney Correspondent

CSR, the major industrial and mining group, is seeking to raise up to A$35m (US$38.6m) through a debenture offering to existing shareholders and debenture holders.

CSR is offering a top rate of 12 per cent for long term funds which confirms the rising interest rate trend and establishes a benchmark for industrial company long term rates.

The group is seeking a minimum of A$25m with the right to take over-subscriptions up to A$10m. The terms are 11.4 per cent for 3.5 years, 11.5 per cent for 5.5 years, 11.85 per cent for 8.5 years, and 12 per cent for 10 years.

The issue allows for the conversion of A$11.1m of debentures which mature in March.

CURRENCIES, MONEY and GOLD

Sterling firm

The dollar was steady, while sterling continued to improve in the foreign exchange market yesterday. The U.S. currency finished unchanged at Y246 against the Japanese yen, and eased slightly to DM 1.7465 from DM 1.7475 in terms of the D-mark, after trading within a narrow range of DM 1.7445 to DM 1.7470. Movement was similarly restricted against the Swiss franc to a range of SwFr 1.6350 to SwFr 1.6410, before finishing at SwFr 1.64, compared with SwFr 1.6430 on Wednesday. The dollar's index, as calculated by the Bank of England, fell to 85.6 from 85.7.

Sterling gained ground from an opening level of about $2.28, to $2.2850 at noon, and a peak of $2.2905-2.2915 in the early afternoon. It was then steady at around $2.2875 for the rest of the day, and closed at $2.2865-2.2875, a rise of 75 points on the day.

The pound's trade-weighted index, on Bank of England figures, rose to 72.8 from 72.5, after standing at 72.6 in the morning and 72.7 at noon.

D-MARK — Very strong, but remaining steady within the *European Monetary System*—The D-mark showed mixed changes against major currencies at the *Frankfurt fixing, rising against* the dollar and Swiss franc, but falling in terms of sterling and the Japanese yen. *Within the* EMS the French franc, Dutch guilder, and Danish krone declined against the D-mark, but the Irish punt, Belgian franc, and lira gained ground. Sterling was fixed at DM 3.9870, compared with DM 3.9760, and the Swiss franc at DM 1.0644, compared with DM 1.0705. The Bundesbank did not intervene when the dollar was fixed at DM 1.7458, compared with DM 1.7460, with the U.S. currency trading within a narrow range, helped by firmer New York *interest* rates.

ITALIAN LIRA—Recent demand has reflected tight conditions in *the domestic money* market: strongest EMS currency with French franc—The lira declined against most major currencies at the Milan fixing, but improved slightly against the D-mark and Swiss franc. The German currency was fixed at L 463.45, compared with L 463.50, while the Swiss franc fell to L 492.5 from L 496.04. Sterling rose to L1,848.40 from L 1,842.10, and the Bank of Italy bought $14.2m of the $15.65 traded officially as the dollar rose to L 809.05 from L 808.70.

DANISH KRONE — Basically weak, suffering two devaluations since EMS began last March—The krone improved against all major currencies except sterling at the Copenhagen fixing. The pound rose to DKr 12.4160 from DKr 12.40, while the dollar fell to DKr 5.4385 from DKr 5.4525. The Swiss franc declined to DKr 3.3165 from DKr 3.3340, and all members of the EMS lost ground to the Danish currency, as did the Swedish krona and Norwegian krone.

JAPANESE YEN — Energy problems reflected in sharp decline last year, but steadier until recent days when *downward pressure has been renewed*—The yen improved against the dollar for the first time this week *in* Tokyo. *The U.S. currency* closed at Y 246, compared with Y 246.45 on Wednesday, in moderately heavy trading. Selling pressure continued on the yen, reflecting settlement of export bills, but the Bank of Japan intervened once again, selling about $50m and this turned the tide in favour of the Japanese currency. The dollar opened at Y 246.10 and touched a high point of Y 246.40, but then fell to Y245.80 shortly before the close.

THE POUND SPOT AND FORWARD

Feb. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2785-2.2915	2.2865-2.2875	0.37-0.27c pm	1.88	1.20-1.10 pm	2.01
Canada	2.6280-2.6435	2.6310-2.6320	0.95-0.85c pm	4.10	2.65-2.55 pm	3.96
Nethlnd.	4.37½-4.41½	4.40-4.41	2¼-1¼c pm	4.77	6½-5½ pm	5.45
Belgium	64.60-65.05	64.90-65.00	20-10c pm	2.22	58-48 pm	3.26
Denmark	12.38-12.47	12.45-12.46	3¼-5¼ore dis	−4.09	9-10 dis	−2.89
Ireland	1.0760-1.0785	1.0765-1.0775	par-0.10p dis	−0.56	0.14-0.24dis	−0.70
W. Ger.	3.97½-4.00½	3.98¼-4.00¼	3⅛-2⅛pf pm	9.63	9¼-8¼ pm	9.75
Portugal	108.30-109.20	108.75-109.00	20-70c dis	−4.66	30-130 dis	−2.94
Spain	152.90-153.00	153.35-153.45	15-65c dis	−3.13	45-145 dis	−2.48
Italy	1,843-1,851	1,849-1,850	1-3 lire dis	−1.30	7¼-9¾ dis	−1.89
Norway	11.08-11.16	11.14-11.15	9-4ore pm	5.38	17¼-15¼ pm	5.83
France	9.32½-9.38½	9.36½-9.37½	3¼-2¼c pm	4.16	11-10 pm	4.48
Sweden	9.51-9.55	9.52¾-9.53¾	3½-1½ore pm	2.15	9½-8½ pm	3.15
Japan	557-565	562-563	3.75-3.45y pm	7.68	11.45-11.10pm	8.02
Austria	28.50-28.65	28.57-28.62	25-15gro pm	8.39	67-57 pm	8.67
Switz.	3.72½-3.76½	3.74¾-3.75¾	4⅝-3⅝c pm	13.19	12⅛-11⅛ pm	12.39

Belgian rate is for convertible francs. Financial franc 67.00-67.10. Six-month forward dollar 2.16-2.05c pm, 12-month 3.20-3.10c pm.

THE DOLLAR SPOT AND FORWARD

Feb. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2785-2.2915	2.2865-2.2875	0.37-0.27c pm	1.88	1.20-1.10 pm	2.01
Ireland†	2.1220-2.1265	2.1230-2.1250	0.40-0.30c pm	1.98	1.50-1.35 pm	2.68
Canada	1.1503-1.1532	1.1503-1.1506	0.15-0.12c pm	1.41	0.40-0.36 pm	1.32
Nethlnd.	1.9225-1.9250	1.9240-1.9250	0.65-0.55c pm	3.74	1.80-1.70 pm	3.64
Belgium	28.34-28.40	28.38-28.40	4-2½c pm	1.37	9-7 pm	1.19
Denmark	5.4315-5.4485	5.4445-5.4460	2.00-2.50ore dis	−4.96	5.75-6.25dis	−4.41
W. Ger.	1.7445-1.7470	1.7460-1.7470	1.08-0.98pf pm	7.08	3.07-2.97 pm	6.92
Portugal	47.55-47.67	47.59-47.67	10-20c dis	−3.78	30-60 dis	−3.78
Spain	67.00-67.20	67.01-67.05	20-35c dis	−4.92	65-85 dis	−4.47
Italy	808.75-809.10	808.90-809.05	1¼-2 lire dis	−2.41	7-8 dis	−3.71
Norway	4.8670-4.8780	4.8730-4.8740	1.90-1.40ore pm	4.06	5.20-4.70 pm	4.06
France	4.0915-4.0955	4.0940-4.0955	0.95-0.85c pm	2.64	2.50-2.35 pm	2.37
Sweden	4.1675-4.1700	4.1675-4.1685	0.70-0.50ore pm	1.73	1.35-1.15 pm	1.20
Japan	245.80-246.25	245.95-246.05	1.35-1.20y pm	6.22	3.80-3.65 pm	5.06
Austria	12.483-12.502	12.497-12.502	6.90-6.30gro pm	6.34	22.00-20.00pm	6.72
Switz.	1.6360-1.6410	1.6395-1.6405	1.67-1.60c pm	11.96	4.29-4.27 pm	10.44

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

Feb. 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.576182	0.628205
U.S. $	13	1.51169	1.43030
Canadian $	14	1.51505	1.65621
Austria Sch.	5¼	16.4110	17.8869
Belgian F.	10½	37.1877	40.5489
Danish K.	13	7.14702	7.77223
D'Mark	6	2.29009	2.49787
Guilder	9½	2.52225	2.74982
French Fr.	9½	5.36648	5.85206
Lira	10	1060.77	1156.75
Yen	7¼	322.659	361.255
Norwgn. Kr.	9	6.38152	6.96769
Spanish Pta.	8	87.8553	25.7870
Swedish Kr.	10	5.47962	5.98720
Swiss Fr.	2	2.13918	2.33710

CURRENCY MOVEMENTS

Feb. 21	Bank of England Index	Morgan Guaranty changes %
Sterling	72.8	−33.6
U.S. dollar	85.6	− 8.0
Canadian dollar	92.3	−15.7
Austrian schilling	168.0	+24.4
Belgian franc	115.3	+13.5
Danish kroner	108.0	− 5.1
Deutsche mark	157.9	+46.0
Swiss franc	199.3	+78.5
Guilder	126.2	+20.3
French franc	109.0	− 5.8
Lira	55.3	−49.6
Yen	114.8	+15.9

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Feb. 21	£	$		£ Note Rates
Argentina Peso	3860-3880	1685-1695	Austria	28.45-28.70
Australia Dollar	2.0720-2.0760	0.9060-0.9065	Belgium	66.75-67.35
Brazil Cruzeiro	109.91-105.91	45.00-46.45	Denmark	12.36-12.43
Finland Markka	8.50-8.51	3.7135-3.7155	France	9.31-9.57
Greek Drachma	87.946-90.027*	38.20-38.40	Germany	3.99-4.016
Hong Kong Dollar	11.30-11.38	4.9410-4.9440	Italy	1880-1950
Iran Rial	n/a	n/a	Japan	581-566
Kuwait Dinar(KD)	0.018-0.628	0.2732-0.2733	Netherlands	4.38½-4.49
Luxembourg Frc.	64.90-65.00	28.38-28.40	Norway	11.12-11.12
Malaysia Dollar	4.9730-4.9850	2.1750-2.1770	Portugal	105½-109¼
New Zealand Dlr.	2.3365-2.3415	1.0220-1.0230	Spain	150½-157¾
Saudi Arab. Riyal	7.61-7.71	3.3609-3.3608	Sweden	9.51-9.66
Singapore Dollar	4.9200-4.9990	2.1520-2.1540	Switzerland	3.74-3.76
Sth. African Rand	1.8526-1.8550	0.8100-0.8110	United States	2.227-2.295
U.A.E. Dirham	8.49-8.59	3.7405-3.7420	Yugoslavia	50½-52¾

Rate given for Argentina is free rate. * Indication only.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.5760	+1.98	+1.50	±1.53
Danish Krone	7.72336	7.77889	+9.72	+0.24	±1.64
German D-Mark	2.48208	2.49846	+0.66	+0.12	±1.125
French Franc	5.84700	5.85688	+0.17	−0.31	±1.3557
Dutch Guilder	2.74362	2.75363	+0.36	−0.12	±1.512
Irish Punt	0.668201	0.673833	+0.85	+0.37	±1.666
Italian Lira	1157.79	1157.78	—	—	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb. 21	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.287	3.998	562.5	9.370	3.753	4.406	1850.	2.632	64.96
U.S. Dollar	0.437	1.	1.748	246.0	4.097	1.641	1.926	808.7	1.151	28.40
Deutschemark	0.250	0.572	1.	140.7	2.344	0.239	1.102	462.7	0.658	10.25
Japanese Yen 1,000	1.778	4.066	7.107	1000.	16.66	6.671	7.831	3288.	4.678	115.5
French Franc 10	1.067	2.441	4.266	600.3	10.	4.005	4.701	1974.	2.808	69.32
Swiss Franc	0.266	0.609	1.065	149.9	2.497	1.	1.174	492.9	0.701	17.31
Dutch Guilder	0.227	0.519	0.907	127.7	2.127	0.852	1.	419.2	0.597	14.74
Italian Lira 1,000	0.541	1.237	2.161	304.1	5.066	2.029	2.382	1000.	1.423	35.12
Canadian Dollar	0.380	0.869	1.518	213.8	3.561	1.426	1.674	702.8	1.	24.68
Belgian Franc 100	1.540	3.521	6.156	866.1	14.43	5.778	6.782	2848.	4.052	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 15.50-15.60 per cent; three-months 15.65-15.75 per cent; six months 15.65-15.75 per cent; one year 15.20-15.30 per cent.

Feb. 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	n/a	15⅝-15⅞	12½-13½	11¼-11½	⅝-⅝	7⅛-7⅜	12⅛-18⅜	14-16	—	7½-8½
7 days' notice	n/a	15½-15¾	12½-13½	11¼-11½	3¼-3⅛	7⁷⁄₁₆-7⁷⁄₁₆	12½-12¾	18-20	15⅝-15¾	8⅛-9¼
Month	17⅝-17⅞	16⅝-15⅞	13⅝-14	11⅞-12⅛	3⁷⁄₁₆-3⁷⁄₁₆	8⁵⁄₁₆-8⁵⁄₁₆	13-13¼	17½-18½	16⁵⁄₁₆-16⁷⁄₁₆	9⁵⁄₁₆-9⁷⁄₁₆
Three months	18⁵⁄₁₆-18⁷⁄₁₆	15¹⁵⁄₁₆-16⁵⁄₁₆	14⅛-14⅛	12⅛-12⅜	5⅛-5¼	8⁷⁄₁₆-8⁷⁄₁₆	13⅜-13⅝	18-20	16⅛-16⁷⁄₁₆	9¹³⁄₁₆-10¹⁄₁₆
Six months	17½-18⅛	16⁵⁄₁₆-16⁷⁄₁₆	14¼-14⅝	12⅛-12⅜	0⅛-5⅝	9-8⅛	13¾-14	12¼-20¼	15⅞-10	8⅞-10
One year	17⅛-17⅝	10⅜-15⅝	14¼-14⅝	12⅛-12⅜	5⁷⁄₁₆-5⁷⁄₁₆	9⅛-9⁷⁄₁₆	13¾-14	20-21	15⁵⁄₁₆-16¹¹⁄₁₆	9⅜-8½

Long-term Eurodollar two years 14⅝-14⅞ per cent; three years 14⅜-14⅝ per cent; four years 14¼-14½ per cent; five years 14⅛-14⅜ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

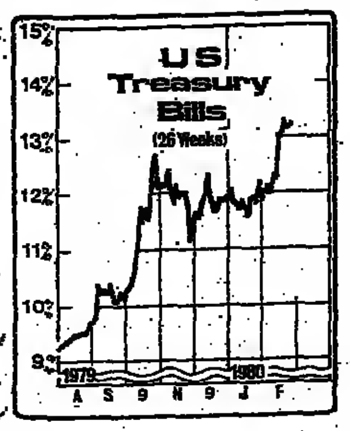
European rates firm

European short-term interest rates were generally firm yesterday, with call money in Paris returning to the five year peak to 12⅝ per cent touched last December. Day-to-day funds touched a five month low of 11½ per cent on Monday, and were still only 11¾ per cent on Wednesday, but the upward move in the Bank of France money market intervention rate to 12⅝ per cent from 12 per cent led to yesterday's sharp increase. Banking liquidity improved recently following large assistance by the central bank through purchases of first category paper, but Wednesday's new intervention rate was taken as a signal to the market of tighter conditions. International interest rates have shown an upward trend following the increase in the U.S. Federal Reserve discount rate, and a similar move by the Bank of Japan.

Term rates continued to firm in Paris, with three, six and 12 monthly money all rising to 13-13½ per cent.

In Frankfurt call money reversed Wednesday's firmer trend, falling to 7.40-7.60 per cent from 8.20-8.30 per cent, but period rates were firmer. Six and 12-month funds rose to 9.10-9.20 per cent from 8.90-9.00 per cent.

In Amsterdam interest rates were also firm, with call money rising to 11⅜-11⅞ per cent from 10⅜-10⅝ per cent.



MONEY RATES

NEW YORK

Prime Rate	15¾
Fed. Funds	15-15¼
Treasury Bills (13-week)	13.23
Treasury Bills (26-week)	13.20

GERMANY

Discount Rate	6
Overnight Rate	7.50
One month	8.50
Three months	9.00
Six months	9.15

FRANCE

Discount Rate	9.5
Overnight Rate	12.375
One month	12.5625
Three months	13.0625
Six months	13.0625

JAPAN

Discount Rate	7.25
Call (Unconditional)	9.4375
Bills Discount (three-month)	10

GOLD

Firmer trend

Gold rose $30 to close at $655-660 after a moderately active day. The metal opened at $645-655, and was fixed at $646.50 in the morning. The lowest level touched was $640-645, and the highest point was $662-666, little changed from the afternoon fixing of $665.

In Paris the 12½ kilo gold bar was fixed at FFr 84,200 per kilo ($639.73 per ounce) in the afternoon, compared with FFr 84,500 ($642.20) in the morning, and FFr 83,500 ($634.76) Wednesday afternoon.

	February 21		February 20	
Gold Bullion (fine ounce)				
Close	$655-660	(£286¼-288½)	$625-630	(£274-276¼)
Opening	$645-655	(£284.75-287)	$660-635	(£278¾-279)
Morning fixing	$646.50	(£283,155)	$695	(£274.560)
Afternoon fixing	$665	(£290,609)	$600	(£265,789)
Gold Coins				
Krugerrand	$668-663	(£287-290)	$630-635	(£276-280)
Mapleleaf	$657-667	(£2 7-292)	$630-630	(£276-280)
New Sovereigns	$164-167	(£71⅞-76½)	$157-160	(£69-71)
King Sovs.	$175-178	(£76½-79½)	$166-169	(£73-78)
Victoria Sovs.	$176-179	(£77-80)	$107½-170½	(£73½-76½)
French 20s	$155-158		$147-160	
50 pesos Mexico	$812-822		$750-750	
100 Cor. Austria	$635-645		$685-695	
$20 Eagles	$755-765		$745-765	
$10 Eagles	—		—	
$5 Eagles	—		—	

UK MONEY MARKET

Heavy shortage

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

The flow of tax payments and national insurance money left the London money market short of day-to-day funds yesterday, and the authorities gave assistance on a very large scale. The Bank of England bought a small amount of Treasury bills from the discount houses and banks, and bought a moderate number of eligible bank bills, which will be resold to the market at a fixed future date. The help was completed when the authorities lent a moderate amount to seven or eight houses, overnight at Minimum Lending Rate.

Banks brought forward small surplus balances, and the market was also helped by a small decrease in the note circulation. On the other hand there was a small net take-up of Treasury bills to finance coupled with an extremely large excess of revenue payments to the Exchequer over Government disbursements.

Discount houses paid 17 per cent for secured call loans throughout, although some balances were picked up at 16½ per cent. In the interbank market overnight loans opened at 16¾-17 per cent, before rising sharply to 25-30 per cent. In later trading rates fell back to 16¾-17 per cent, but increased again to 25-30 per cent at the close.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Feb. 21 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	16¾-30	17½-17⅝	—	—	17¼-17¾	18½-17	—	—	—
2 days notice	—	—	—	—	—	—	—	—	—	—
7 days or 7 days notice	—	17⅛-17⅝	17⅝-17¾	—	18	17¼-17¾	16¾-10⅞	—	—	—
One month	17⅛-17⅜	17⅝-17¾	17⅝-17¾	18¾-18½	18	17⅞-18	16⅝	10	17⅛	18⅛
Two months	17¾-17⅝	17⅝-17¾	—	18-18¼	18	—	16½	18⅛	17⅝	17⅞
Three months	17¾-17⅝	17⅝-17¾	17¾-17⅞	18¼-17½	18	18-18⅛	16⅝	16⅛	17⅛	17⅝
Six months	17⅛-16⅞	17⅛-17¼	16⅝-17⅛	17⅛-10⅝	17¾	18	—	—	16	16¾
Nine months	16¼-16⅛	18¼-18½	—	17-10⅝	16⅝	—	—	—	—	—
One Year	16-16⅞	16⅞-16⅝	18½-16⅞	16⅜-10	16¾	—	—	—	—	—
Two years	—	—	16-16⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. * Long-term local authority mortgage rates nominally three years 15⅞-16 per cent; four years 15¾-15⅞ per cent; five years 15½-15⅝ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16⅞ per cent; four-month trade bills 17⅛ per cent.

Approximate selling rates for one-month Treasury bills 15¹⁵⁄₃₂ per cent; two-months 16⅛₃₂ per cent; three-months 16⅛₃₂ per cent. Approximate selling rates for one-month bank bills 17⁹⁄₁₆ per cent; two-months 17⅛ per cent; three-months 17⅝₁₆ per cent; one-month trade bills 12 per cent; two-months 17¾ per cent and three-months 17½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17 per cent from February 1, 1980. Clearing Bank Deposit Rates for sums at seven days notice 15 per cent. *Clearing Bank Rates for lending 17 per cent.* Treasury Bills: Average tender rates of discount 16.1843 per cent.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The Table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, February 20, 1980. The Exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all the listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	44.00
Albania	Lek	4.4882
Algeria	Dinar	3.9325
Andorra	(French Franc	4.0907
	(Spanish Peseta	66.95
Angola	Kwenza	37.697
Antigua	E. Caribbean $	2.7025
Argentina	Argentine. Peso	1876.50
Australia	Australian $	0.9013
Austria	Schilling	12.5065
Azores	Portug. Escudo	47.585
Bahamas	Bahamian $	1.00
Bahrain	Dinar	0.3779
Balearic Isles	Spanish Peseta	66.95
Bangladesh	Taka	16.3084
Barbados	Babados $	2.01
Belgium	B. Franc (C)	28.30
	B. Franc (F)	28.326
Belize	Belize $	2.00
Benin	C.F.A. Franc	204.555
Bermuda	Bda $	1.00
Bhutan	Indian Rupee	7.98
Bolivia	Bolivian Peso	25.00
Botswana	Pula	0.7219
Brazil	Cruzeiro	43.79
Brit. Virgin Isles	U.S. $	1.00
Brunei	Brunei $	2.151
Bulgaria	Lev	0.879
Burma	Kyat	6.7271
Burundi	Burundi Franc	90.00
Cameroun Repub'c	C.F.A. Franc	204.535
Canada	Canadian $	1.1698
Canary Islands	Spanish Peseta	66.95
Cape Verde Isle	Cape V. Escudo	36.51
Cayman Islands	Cay. Is. $	0.835
Cent. Af. Emp.	C.F.A. Franc	204.535
Chad	C.F.A. Franc	204.535
Chile	Chilean Peso (O)	39.00
China	Renminbi Yuan	1.5438
Colombia	Col. Peso (O)	45.38
Comoros Islands	C.F.A. Franc	204.565
Congo (Brazaville)	C.F.A. Franc	204.535
Costa Rica	Colon	8.57
Cuba	Cuban Peso	0.7235
Cyprus	Cyprus Pound	0.3489
Czechoslovakia	Koruna (O)	5.20
Dem.Rep. S'oTome & Principe	S. Tome Dobra	34.4727
Denmark	Danish Krone	5.455
Djibouti	Djibouti Franc	171.015
Dominica	E. Caribbean $	2.7025
Dominican Repub.	Domin'cn Peso	1.00
Ecuador	Sucre	27.20
Egypt	Pound (3)	0.6926
El Salvador	Colon	2.50
Equatorial Guinea	Ekuele	66.26
Ethiopia	Birr (O)	2.0855
Faroe Islands	Danish Krone	5.455
Falkland Islands	Falkland Is. £ *	2.2305
Fiji Islands	Fiji $	0.8406
Finland	Markka	3.716
France	French Franc	4.0907
French C'ty in Af.	C.F.A. Franc	204.635
French Guiana	Local Franc	4.0907
French Pacific Is.	C.F.P. Franc	75.2953
Gabon	C.F.A. Franc	204.555
Gambia	Dalasi	1.754
Germany (East)	Ostmark (O)	1.740
Germany (West)	Deutschemark	1.746
Ghana	Cedi	2.75
Gibraltar	Pound *	2.2805
Gilbert Is.	Aust. $	0.9013
Greece	Drachma	38.50
Greenland	Danish Krone	5.455
Grenada	E. Caribbean $	2.7026
Guadaloupe	Local Franc	4.0907
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	33.5905
Guinea Republic	Syli	19.806
Guyana	Guyanese $	2.5569
Haiti	Gourde	5.00
Honduras Repub	Lempira	2.00
Hong Kong	H.K. $	4.868
Hungary	Forint (O)	34.00
Iceland	I. Krona	363.40
India	Ind. Rupee	7.99
Indonesia	Rupiah	625.00
Iran	Rial	71.50
Iraq	Iraq Dinar	0.2965
Irish Republic	Irish Punt *	2.1207
Israel	Israeli Pound	38.56
Italy	Lira	805.15
Ivory Coast	C.F.A. Franc	204.535
Jamaica	Jamaican Dollar	1.7836
Japan	Yen	245.70
Jordan	Jordan Dinar	0.295
Kampuchea	Riel	n.a.
Kenya	Kenya Shilling	7.3593
Korea (Nth)	Won	0.94
Korea (Sth)	Won	580.00
Kuwait	Kuwait Dinar	0.2733
Lao P'ple D. Rep	Kip of Lib.	400.00
Lebanon	Lebanese Pound	3.3055
Lesotho	Rand	0.8119
Liberia	Liberian $	1.00
Libya	Libyan Dinar	0.2961
Liechtenstein	Swiss Franc	1.6336
Luxembourg	Lux Franc	28.66
Macao	Pataca	5.31
Madagascar D. R.	MG Franc	204.555
Madeira	Portugese Escudo	47.595
Malawi	Kwacha	0.8037
Malaysia	Ringgit	2.1835
Maldive Islands	Mal Rupee	5.83
Mali Republic	Mali Franc	409.07
Malta	Maltese Pound	0.3442
Martinique	Local Franc	4.0907
Mauritania	Ouguiya	40.907
Mauritius	M. Rupee	7.6183
Mexico	Mexican Peso	22.81
Miquelon	C.F.A. Franc	204.535
Monaco	French Franc	4.0907
Mongolia	Tugrik (O)	3.3565
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	3.8702
Mozambique	Moz. Escudo	30.3881
Namibia	Rand	0.8112
Nauru Is.	Aust. $	0.9013
Nepal	Nepalese Rupee	12.00
Netherlands	Dutch Guilder	1.9285
Netherland Antilles	Antillian Guild	1.80
New Hebrides	Aust. $	0.9013
	FNH	66.107
New Zealand	NZ $	1.0116
Nicaragua	Cordoba	10.00
Niger Republic	C.F.A. Franc	204.535
Nigeria	Naira (O)	0.5603
Norway	Norwg. Krone	4.8715
Oman, Sultanate of	Rial Omani	0.3456
Pakistan	Pkst. Rupee	9.21
Panama	Balboa	1.00
Papua N. Guinea	Kina	0.6896
Paraguay	Guarani	137.30
Peoples D. Repub. of Yemen	S. Yemen Dinar	0.3416
Peru	Sol	256.55
Philippines	Ph. Peso	7.40
Pitcairn Islands	NZ.$	1.0116
Poland	Zloty (O)	31.00
Portugal	Port. Escudo	47.585
Port Timor	Timor Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Qatar Ryal	3.70
Reunion, Ile de la	French Franc	4.0907
Rhodesia	Rhd $	0.6935
Romania	Leu	4.47
Rwanda	Rwanda Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Sterling *	2.2805
St. Lucia	E. Caribbean $	2.7025
St. Pierre	C. F.A. Franc	204.556
St. Vincent	E. Caribbean $	2.7025
Samoa American	U.S $	1.00
San Marino	Italian Lira	806.15
Saudi Arabia	Saudi Ryal	3.36
Senegal	C. F. A. Franc	204.535
Seychelles	S. Rupee	6.8452
Sierra Leone	Leone	0.977
Singapore	Singapore $	2.151
Solomon Islands	S.I. $	0.9013
Somali Republic	Som. Shilling	6.0241
South Africa	Rand	0.8119
Spain	Peseta	66.95
Spanish ports in North Africa	Sp. Peseta	66.95
Sri Lanka	S. L. Rupee	15.67
Sudan Republic	Pound (2)	0.50
Sudan Republic	Pound (1)	0.80
Surinam	S. Guilder	1.80
Swaziland	Lilangeni	0.8119
Sweden	S. Krona	4.173
Switzerland	Swiss Franc	1.6355
Syria	Syria Pound	3.9262
Taiwan	New Taiwan $ (O)	36.00
Tanzania	Tan. Shilling	8.2896
Thailand	Baht	20.50
Togo Republic	C.F.A. Franc	204.535
Tonga Islands	Pa'anga	0.9013
Trinidad & Tob	Trin. & Tob. $	2.4063
Tunisia	Tunisian Dinar	0.3961
Turkey	Lira	70.00
Turks & Caicos	U.S. $	1.00
Tuvalu	Australian $	0.9013
Uganda	Ug. Shilling	7.3593
United Arab Emir.	UAE Dirham	3.742
United Kingdom	£ Sterling	2.2805
Upper Volta	C.F.A. Franc	204.535
Uruguay	Urug. Peso (M)	8.46
U.S.S.R.	Rouble	0.654
Vatican	Italian Lira	805.15
Venezuela	Bolivar	4.2937
Vietnam N.	Dong (O)	2.18
Virgin Islands U.S.	U.S. $	1.00
Western Samoa	Samoan Tala	0.9111
Yemen	Rial	4.57
Yugoslavia	New Y. Dinar	19.8561
Zaire Republic	Zaire Zaire	2.0516
Zambia	Kwacha	0.7805

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate. (1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports. (3) Egypt—A different rate applies to certain transactions with non-IMF countries.

THE PROPERTY MARKET BY ANDREW TAYLOR

Whitechapel shops scheme

AN OUTLINE plaoning application for a major retail and office development, over and behind Whitechapel tube station in Londoo's East End, is expected to he presented to Tower Hamlets Borough Council in the next few weeks.

The application will come from Sam Chippindale, the man who, when with Town and City Properties, developed the concept of the Arndale covered regional shopping complexes, of which there are now more than 20 around the country.

Tower Hamlets has approached Mr. Chippindale, now running his own company — Sam Chipindale Development Services— to see if he can do a similar job for them.

The scheme, drawn up hy architects Tripe and Wakenham, provides for an 860,000 sq ft shopping complex with plans for three department stores of aronnd 125,000 sq ft apiece, plus seven other major stores of between 30,000 sq ft snd 40,000 aq ft each.

In addition there are plans for 300,000 sq ft of offices, the development of several puhlic honses and restaurants plus the redevelopment of the tube station entrance.

If all these plans come to fruition then the cost of the scheme, at current prices, can be expected to be in the region of at least £50m. Michael Laurie has been appointed agents to the scheme.

Mr. Chippindale was in London this week but declined to reveal details of wbere the finance for the development is to come from. However at this stage it would seem unlikely that Taylor Woodrow—which has partnered Chippindale Development Services in a oumher of ventures over the past two years—would he involved.

Taylor Woodrow has submitted its own plans—in partnership with George Wimpey—for a major retail devalopment to the east of London: on the key 120 acre Southwark site in Surrey Docks.

Moreover relations between the two companies appear to have become more strained of late, and negotiations aimed at establishing a joint development company have not been progressing smoothly.

There is now some douht as to whether a joint company will he established. Joint ventures in wbicb Taylor Woodrow and Chippindale are currently involved include: a proposed shopping centre in Leicester as well as retail developments in Rotherham and Portsmouth.

It seems likely that Mr. Chippindale will be boping to attract financial hacking from major investment institutions for the Whitechapel development.

A major retail development at Whitechapel could provide competition for the plans presently being considered hy the Greater London Council and Southwark Borougb Council for the redevelopment of the Southwark aite in Surrey Docks.

Some 15 proposals have heen submitted to the local authorities, joint owners of the site. Most of the schemes—any one of which could cost several hundred million pounds—contain provisions for a substantial retail development.

The success of any major retail scheme in Surrey Docks, however, would appear to depend heavily on adequate access across the Thames to the north bank—where there is a marked shortage of major shopping facilities to meet the demands of a large population. It is this market that the Whitechapel development, if it succeeds, will serve.

There is certainly increasing interest being shown in potential retail developments to the east of London.

On top of the schemes proposed for Whitechapel and the Surrey Docks, Associated Dairies Group (Asda) is tbought to be looking at several possible sites east of London, including at Beckton, north of the Royal Docks.

Cooler on air conditioning

TAKERS OF office space in central London may in future become more selective about the need for air-conditioning, according to agents Smith Melzack, which is advising its clients to install air-conditioning only wbere absolutely necessary.

The agents say that sharply rising fuel prices have led air conditioning costs in London's West End to double since 1976, to almost £2 a sq ft.

Man from the Pru takes CBI offices

THE MAN from the Pru last night emerged as the successful purchaser of the Confederation of British Industry headquarters in Totbill Street near Parliament Square.

Prudential Assurance has agreed to pay a premium of £4m plus a minimum annual rental of £150,000 for a 125-year lease on the building, which is to be substantially refurbished.

The CBI is to move its headquarters to Centre Point—where it has agreed to pay a rent of around £8.00 a sq ft for 100,000 sq ft of offices on 15 floors—but is to retain the freehold of the Tothill Street offices.

Under the terms of the agreement with the Pru the CBI will get a percentage of the rent paid hy the eventual occupier of Tothill Street—with a guaranteed minimum rent of £150,000 a year paid to the CBI.

It is this percentage figure which provides the key to the successful tender from the Pru, but what proportion of the eventual rent the CBI is to get, nohody is saying.

But the tender competition arranged by agents Jones Lang Wootton on behalf of the CBI was strongly contested, and the eventual return to the Confederation can be expected to be significantly higher than the minimum agreed rent—given present rental trends in the Westminster area.

The cost of refurbishing the Tothill Street offices—which is likely to take two years—is estimated to be around £5m at current prices. This compares with £3m, or so, the CBI is understood to be spending on preparing its new offices in Centre Point.

Demand for central London offices remains strong and rental levels for good, well-located refurbished office premises in the Westminster area are presently between £14 and £15 a square foot.

This is not far short of the price now being asked for the remaining offices in Centre Point — thought to be around £13.50 a square foot. This compares with the £8 a square foot the CBI is thought to have agreed a year ago. The CBI is expected to move into its new offices sometime around July this year.

The move was prompted hy the need to carry out extensive refurbishment of the Totbill Street offices and the bigh cost of finding alternative, modern accommodation in the surrounding area.

The CBI has occupied the offices for many years. Previously it bad been the beadqnarters of the Federation of Britisb Indnstry whicb took up residence before the last war.

Higher lending rate hits U.S. market

HIGH INTEREST rates are putting a heavy hurden on commercial property development in the U.S. according to Mr. Bowen McCoy, president of Morgan Stanley Realty.

Mr. McCoy told pension fund managers at the National Association of Pension Funds investment conference in Easthourne that the system of financing new development was under great strain.

U.S. property developments are traditionally financed by long-term mortgages of up to 30 years at fixed rates of interest around 10 per cent. However, inflation is now a fact of life in the U.S.: prime rate is 15¾ per cent and yields on two-year government honds are 14 per cent. The institutions, therefore are seriously evaluating their position.

Mr. McCoy said that the long-term mortgage market had not dried up but had shrunk drastically since last October. There was considerable discussion of shortening terms and renegotiating interest rates. Nevertheless, the mortgage market would recover and remain a major factor in real estate finance, because of the huge level of funds flowing through U.S. institutions.

However Mr. McCoy said that the life of mortgages could become shorter. They were likely to settle at 15 years maturity rather than the traditional 25 to 30 years.

But underlying market conditions for property are very healthy at present, said Mr. McCoy. "There has been a massive catch-up in rentals since 1977 but rents ar still low, by comparison with replacement costs."

John Lewis for Kingston

JOHN LEWIS PARTNERSHIP, the department store group, looks to be winning the battle to decide who will develop the 4-acre Horsefair site at Kingston-upon-Thames.

Leaders of Kingston Borough Council have clearly indicated that they favour the scbeme put forward by John Lewis—one of two groups actively seeking to develop the town centre site.

Dixons Photographic, together with Dehenhams, has also submitted an outline planning application for the Horsefair site. So far only outline approval has been given for the John Lewis scheme, which provides for a 320,000 sq ft department store.

However, Mr. John Ashboorne, chief executive of the council, said this week: "The outline financial offers have been considered by the council and on the basis of these they have instructed their officers to enter into detailed negotiations, with a view to reaching agreement with the John Lewia Partnership."

IN BRIEF

- A £10m scheme by Stonechester, the Bristol based developer, for a major shopping development on the remaining three acre site at Armada Way Plymouth has been chosen from a short-list of fonr hy the policy committee of the local city council.

  The scheme which includes a 45,000 sq ft store for J. Sainshury and a 160 bedroom hotel to be operated by Hilton International is to be recommended at a full council meeting on March 3. Joint agents Hartnell Taylor Cook and Healey and Baker say there is considerable interest from leading multiple retailers for the remaining shop units.

- Agents Jones Lang Wootton have been appointed by the Royal County of Berkshire to find a tenant for the entire second floor of the new county council headquarters at Shinfield Park Reading. A rental of £12 a sq ft is being asked for the 80,000 sq ft of offices.

- Legal and General Assurance has let 58,000 sq ft of air-conditioned offices at 27-28 Finsbury Square, London, EC2, to Merrill Lynch. An annual rental of £675,000 has been agreed which works out at £11.60 per sq ft. The lease is to run for 21 years with five year reviews. Smith Melzack and Jones Lang Wootton acted for Legal and General. Matthews Goodman and Postlethwaite acted for Merrill Lynch.

INDUSTRIAL AND COMMERCIAL PROPERTY APPEARS EVERY FRIDAY

WORLD STOCK MARKETS

Early Wall St. fall of 7.3

WEDNESDAY'S RALLY on Wall Street proved short-lived, stocks generally resuming the recent retreat in heavy trading yesterday morning, although there was a partial recovery around mid-session.

The Dow Jones Industrial Average was a net 7.34 down at 879.52 at 1 p.m., after touching 876.62 at noon. The NYSE All Common Index recorded a decline of 15 cents on balance at $66.46, after falling to $66.21, while declines outpaced rises by a three-to-two margin. Turnover amounted to 36.45m shares, against 30.05m at 1 p.m. on Wednesday.

Analysts said the prospect of continued high inflation and further interest rate increases remained a depressant for the market. Yesterday morning, a U.S. subsidiary of an Israeli bank raised its prime rate to 16 per cent from 15¾, and analysts expected major U.S. banks to soon move to that level.

Another adverse factor was a sharp fall in the price of American Telephone stock, the most widely held corporate security in the U.S.

Trading in the shares of American Telephone was halted at $48⅝, down $1½, equalling a recent new low for the stock. The company, on Wednesday, announced an unchanged quarterly dividend. In the previous four years, the dividend has been increased at the February Board meeting. The company has also been hurt recently by rising interest rates.

Major retailers were easier. Active K Mart lost $1 to $19⅞. A block of 122,700 shares were traded at $20⅛.

Volume leader Gulf Oil rose $2 to $51⅞, but Columbia Gas lost $1 to $45 and California Standard $½ to $74. They are partners with Mobil in an oil discovery off Newfoundland. Mobil, which had yet to trade, said electric logs of two new wells in the area had promising shows of hydrocarbons.

THE AMERICAN SE Market Value Index, again boosted by strong Canadian Oil and Gas issues, rose 4.80 more to a record 299.75 at 1 pm. Volume 4.68m shares (4.25m).

Closing prices for North America were not available for this edition.

Canada

Markets continued a broad advance in active early trading, with the Toronto Composite Index rising 14.3 to a record 2,139.7 at mid-day.

The Oil and Gas index climbed 93.1 to 4,914.9, as Hudson's Bay Oil rose 6¼ to C$144, Total Petroleum 1½ to C$33, Imperial Oil "A" 1⅞ to C$52⅞ and Husky Oil 1⅞ to C$81.

Gulf Canada remained halted for dissemination of additional test results from the Hibernia and Ben Nevis wells. Shell Canada, BP Canada and Aquitaine Canada were halted due to order imbalances.

Golds put on 17.9 to 3,280.0 and Metals and Minerals 13.4 to 2,252.9.

Tokyo

The market had a mainly firm morning session, but many stocks declined near the close, with Non-ferrous Metals, Oils and Trading Houses leading the way on profit-taking.

Declines finally outscored gains on the First Market section by 360 to 265, while the Nikkei-Dow Jones Average lost 29.50 to 6,776.51 and the Tokyo SE index 1.22 to 469.82. There was a large business volume of 580m shares, against Wednesday's 450m.

Nippon Oil receded Y40 to Y1,860 and Teikoku Oil Y10 to Y925, while Trading House Mitsubishi declined Y10 to Y709.

Among Non-ferrous Metal issues, Dowa Mining fell Y24 to Y754 and Nippon Mining Y16 to Y361.

Steels closed mixed after a firm start, with Kawasaki Steel ending Y3 up at Y145 but Nisshin Steel Y6 down at Y173.

Germany

Renewed foreign buying left stock prices higher for choice after Wednesday's easier showing.

Banks provided the best features, Commerzbank climbing DM 7.90, Deutsche Bank DM 5.20 and Dresdner Bank DM 6.40.

Among Motors, Daimler Benz added DM 2.90 and Volkswagen DM 1.90, while Thyssen, in Steels, put on DM 3.20, and GHH, in Engineerings, DM 2.50, but Deutsche Babcock fell DM 7.90.

On the Domestic Bond market, Public Authority issues recorded fresh losses extending to 85 pfennigs. The Regulating Authorities bought a nominal DM 1.5m of paper after buying DM 21.9 on Wednesday. Mark Foreign Loans were sharply lower.

Australia

The reactionary trend in Resources stocks was continued yesterday, the fifth trading day in succession, but there were signs of a revival of buying interest near the close. A feature of late trading was institutional bargain hunting for some leading stocks, and a few issues finished higher on the day.

The Sydney All Ordinaries index shed 6.29 more to 892.54 and the Metals and Minerals index 42.84 to 5,990.91.

Western Mining receded 20 cents to A$4.70, North Broken Hill 12 cents to A$3.68, CRA 10 cents to A$6.30 and Hamersley also 10 cents to A$4.25.

In contrast, Bougainville Copper, A$4.30, and MIM, A$5.60, regained 10 cents apiece.

Leichardt Exploration showed renewed strength, rising 80 cents to A$8.30, while the Options closed at A$7.60, up A$1.10. The company reported that its South African subsidiary had come to an agreement with the local branch of one of the major British mining houses over some diamond prospective areas.

In generally weaker Oils, Weeks Petroleum lost 80 cents to A$7.90, with some recent speculators having apparently tired of waiting for the rumoured take-over bid to emerge.

Johannesburg

Gold shares were firmer in fairly active trading, with many recouping the previous day's losses. Randfontein rose 150 cents to R71.00, Harmony 125 cents to R19.00, President Brand 100 cents to R39.00 and Ergo 20 cents to R7.80.

Mining Financials shadowed producers. Anglos put on 30 cents to R13.70, while De Beers advanced 20 cents to R11.20. Platinums and Coppers were easier, however.

Hong Kong

Shares generally relinquished further ground in a moderate business, with the Hang Seng index shedding 6.45 to 943.44 for a two-day loss of 19.73.

After initial easiness, the market recovered around mid-session on some selective buying, but receded again towards the close on nervousness over the possibility of a local Prime Interest rate increase.

Hong Kong Bank were unchanged at HK$23.60, but Hong Kong Land lost 10 cents to HK$14.80, Hutchison Whampoa 35 cents to HK$9.45 and Jardine Matheson 20 cents to HK$18.60.

Paris

Shares tended to improve in fairly active dealings yesterday, the last day of the monthly trading Account.

Market observers said the firm undertone was significant in view of the fact that operators were squaring their month's accounts. They said investors were following Wall Street's lead overnight.

Forest planting below target

By Our Commodities Staff

TREE plantings by the Forestry Commission fell well below target last year and further declines are expected over the next few years.

In its annual report, published yesterday, the Commission revealed that only 11,842 hectares of new plantations were established in 1978-79, 2,552 hectares below the budgetted programme. Restocking after felling amounted to only 3,567 hectares compared with a target of 3,971 hectares.

The hard winter of 1979 was partly responsible for this disappointing performance and the dry spring caused further problems.

But the main trouble was the inadequate area of land obtained for planting. "Only a limited amount of suitable land was coming on to the market and competition was keen," the report said. "This led to a further fall in the Commission's reserves of plantable land."

The Commission has revised its future programmes to take account of its falling land reserves. "Unless there is a dramatic improvement in the amount of land acquired, planting programmes will decline by about 1,000 hectares a year over the next few years," it said.

Earlier this week a special report published by Reading University's Centre for Agricultural Strategy called for quick and sustained action to improve UK forest yields and to plant new forests to avoid a sharp increase in the country's timber import bill, which amounted to £2.37bn in 1978.

Liquid milk sales drop

UK liquid milk sales last month totalled 538.3m litres, 1.9 per cent less than in January 1979, according to figures published yesterday by the Milk Marketing Board. This figure suggests that the gradual recovery in milk consumption following the 3 per setback which followed last June's 1½p a pint price rise has now been halted. In December milk sales were only 1.5 per cent down on a year earlier.

With another 1½p added to the retail milk price this month, a further cutback in consumption seems inevitable.

Larger cocoa surplus forecast

BY JOHN EDWARDS, COMMODITIES EDITOR

PREDICTED surplus of cocoa in the 1979/80 season is raised to 117,000 tonnes in the latest market report issued today by London brokers, Gill and Duffus. This compares with its forecast in December of a surplus amounting to 75,000 tonnes.

The sharp increase in the surplus of suppliers is attributed to higher production expected in the Ivory Coast, Nigeria and Ecuador. The report notes that this will be the third season in succession of surplus, and claims that the "sheer tonnage of cocoa added to world stocks over three seasons, some 290 tonnes, should lead to lower prices."

The report adds that forward sales from the four main West African producing countries are far less than at the same date in previous seasons. In the Ivory Coast the cocoa is well store and in strong economic hands, but nevertheless the substantial tonnage involved is a burden that cannot be shouldered indefinitely, the report says.

Taking a closer look at consumption, the report says that demand for cocoa butter seems considerably to exceed powder usage. As a result cocoa butter prices are very high and there is little sign of a revival in powder demand to increase values and reduce butter costs. At the same time high and erractic sugar prices are likely to inhibit cocoa consumption, particularly in cocoa-powder using products.

The revised supply-demand figures predict a record world crop of 1,577,000 tonnes. This compares with the December forecast of 1,536,000 tonnes and exceeds the previous peak of 1,549,000 in 1974-75.

Ivory Coast output is put at 320,000 tonnes, Ghana at 300,000 and Nigeria at 175,000 tonnes. This lifts total African production to 969,000 tonnes compared with Central and South American output of 500,000 tonnes, including 297,000 tonnes from Brazil, slightly up on the December forecast, but well below the record 314,000 tonnes in 1978/79. Estimated world grindings are left much the same at 1,452,000 tonnes.

Sell milk in schools, Commons urged

BY RICHARD MOONEY

BRITAIN could make fuller use of EEC funds to subsidise the sale of cheap milk to schoolchildren, Mr. John Owens, director-general of the Dairy Trade Federation told the House of Commons agriculture select committee yesterday.

At present, he said, the Ministry of Education provided milk free to children between five and seven years old at a cost to the Exchequer of £15m a year with a £1 for £1 EEC subsidy.

But if the arrangements were changed so that the Ministry of Agriculture sold milk at a 2p a pint discount to all schoolchildren (up to the age of 19) an 8p a pint subsidy could be obtained from Common Market funds. A similar level of aid could be claimed for milk products, such as cheese and yogurt, incorporated into school meals, Mr. Owens said this plan could add 90m litres to UK milk consumption at no extra cost.

He also told the committee he would prefer to see dairy farmers' returns improved by an increase in the price they received for manufacturing milk rather than a further rise in the liquid milk price. The premium for liquid milk is currently 2p a litre.

He also noted that a further milk price rise would lead to an even sharper decline in consumption, which was already falling by 2 per cent a year.

But he warned that the higher manufacturing milk price could only be achieved if importers' prices were raised. The current system allowed them to ship cheese and butter into Britain at prices which undercut domestic supplies, Mr. Owens claimed. The main culprit was New Zealand whose price was adjusted to enable it to sell its guaranteed tonnage. As a result it had secured a 52 per cent share of the UK packet butter market.

Markets rally sharply

By Our Commodities Editor

COMMODITY markets rallied yesterday after the sharp losses suffered earlier this week. Buying interest, both from the trade and speculators "bargain hunting" was attracted at the lower levels in what were considered to be oversold markets.

World sugar values, for example, jumped sharply. The May position on the futures market, which reached a low of £235 at one stage yesterday, recovered to a high at £272 before easing back to close at £265.875 a tonne.

The spot price of R.S.S. No. 1 natural rubber rose by 5p to 75p a kilo, after falling 8p on Wednesday, but is still well below the peak of 90p reached last week.

Base metals followed the upward trend in gold and silver although coming under selling pressure again in late trading. Copper cash wirebars closed £22 up at £1,237 a tonne, still over £90 down on the week. There were rises in other metals too, and in Penang the Straits tin price overnight reached a record $M2,301 a picul, up $M51, following a squeeze on available supplies.

Brazil offers European coffee deal

COPENHAGEN — The Brazilian Coffee Institute has invited Scandinavian and West European roasters to negotiations next week on sales for 1980.

Steen Jensen, director of Danish coffee importers, Karal, said the negotiations will concentrate on a new Brazilian marketing system aimed at bringing Brazilian coffee prices down to competitive prices.

Brazil has been effectively excluding itself from the international coffee market by maintaining unrealistically high prices, Jensen said.

To try to redress the problem, it wants to tie its sales to a price system based on fluctuating International Coffee Organisation indicator prices.

Based on current levels, the indicator would give a de facto rebate of $34 per 50 kilos f.o.b. below Brazil's export registration price, but this would change with daily market movements.

FACTORY FARMING

The facts and the emotion

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

AMONG THE resolutions debated at the NFU Annual General Meeting last week were several deploring the public agitation against different forms of intensive livestock farming or what might, for simplicity's sake, be called factory farming.

This is a most emotive term, but there is really no reason why it should be seen as particularly reprehensible. After all, a large proportion of the human race is occupied in factories of one sort and another, for most of their lives.

Those who oppose these methods single out three particular systems for special condemnation. Battery laying hens, calf boxes, in which they cannot turn round, and sow stalls, in which the animals are also confined so that they can't move about.

I have seen many examples of all three, and to me far the most disquieting are the battery cages. It does seem wrong to confine five or six birds in a cage so closely that they cannot spread their wings. To make them stand on wire, instead of allowing them to scratch, while at the same time they rub their neck feathers off on the wires.

But I must also say that I have never seen any battery birds that I have visited in any way distressed or demonstrably suffering. They appear to produce eggs in abundance, so whatever stress the system causes the birds, it does not seem to affect their reproductive faculties.

When asked why they don't go in for a deep litter or yarding system for laying hens, farmers will say that if they did their costs would rise and they would become vulnerable to imports from other EEC members who have no restrictions on their housing systems.

This is a valid point, to be borne in mind by those who seek to outlaw hen batteries. Are they prepared to pay more for their eggs by refusing the importation of battery produced eggs?

A sow stall system of some sort is necessary to ensure that each sow gets its fair share of the fed, but it need not confine them all the time. Pigs are clean creatures, and a combination of stalls and a small exercise yard or dunging place is not too difficult to arrange.

Although it does occupy more room than stalls or tethers where the sows dung into a drain at the back.

But pigs like to wallow, particularly in hot weather, and the loosely kept sows will often plaster themselves in their own muck. Those tied up will always look very clean, but whether they are any happier I don't know. But many I have seen look quiet and contented and they can't fight.

The so-called iron maiden which controls them when farrowing is really a device to stop them crushing their piglets when they have just farrowed —a very common loss in other systems.

For fattening pigs the sweat box, so called, seems to have been discarded. Whether the pigs are any more contented in the hygienic looking dry pens in which most of them now live with the muck drained away through slats, there is no way of telling.

I was at one time a sleeping partner in a veal calf fattening unit. In this case we did keep the calves in pens in which they could turn around and they laid on straw which was available. I insisted on this, as I could not accept the single stalls with no room to turn that I had seen on the Continent, particularly in Italy.

The reason for denying veal calves straw stems partly from the fact that if they eat some it colours the flesh. But straw bedding is becoming outmoded in many intensive livestock systems, mainly because it interferes with the effective disposal of slurry, and of course it is an extra expense.

Are the straw-less animals any less comfortable than those with straw? Again I must say that where the management is good they seem to be comfortable and productive.

There are certain other constraints on domestic animals. The males have traditionally always been castrated unless needed for breeding and a great many calves are dehorned, to prevent cattle injuring themselves when fighting.

Most of these operations take place soon after birth. But even this is changing. An increasing proportion of pigs are accepted by the butchers as entire for the pork trade. There is no real reason why any pig which has to live no longer than six months should be castrated. Lambs still have to be so treated, but the modern method of slipping a rubber ring over the scrotum appears to occasion them no more than a minute's discomfort.

All the above practices are a part of what is the exploitation of animals by man. But at the same time there is no doubt that the animals would not be so exploited if there wasn't a demand for their products. The intensification of livestock husbandry has been simply due to an increasing demand for supplies at lower prices than would have been possible under the older systems.

And were these older systems so very much better for the animals? My memories of livestock since I began farming 50 years ago is that standards of animal health and productivity have improved immeasurably and so has the awareness of farmers as to their importance.

But there is still the problem of ethics. This is still a free country, and there is no obstacle at all to those who feel disturbed about various systems of modern farming from agitating to have them changed. But if they do succeed in their aims, they should in fairness not allow competition from countries where these standards are not enforced.

Mr. Alan Jackson, deputy president of the NFU, has urged farmers to take a more positive approach to animal welfare in the face of intensified activities of the animal welfare lobby. "Farmers do not wilfully mis-treat their livestock and it would not be in their interests to do so."

Phosphate report on Christmas I.

BY PATRICIA NEWBY IN CANBERRA

AN AUSTRALIAN Government commission of inquiry has assessed that there are sufficient mineable reserves of phosphate rock at the Australian Indian Ocean territory of Christmas Island to ensure a life of eight years.

The inquiry, which was established earlier this year to assess the economic viability of the mining and marketing of phosphate rock from the island, has recommended that workers on the island be paid the Australian minimum wage of approximately A$124 (£62) a week.

The commission's report described the administration of Christmas Island as out-moded, discredited and repugnant, and laid the blame on the governments of Britain, New Zealand and Australia which are the shareholders of the British Phosphate Commissioners.

An annual shipping target of 1.4m tonnes of rock for New Zealand and Australian manufacturers is recommended and 150,000 tonnes for Malaysia to be crushed for bagged dust.

Assuming the Australian minimum wage will be paid to workers, the inquiry believes the island can retain its competitive edge at roughly A$54 to A$65 a tonne compared with Florida rock at A$74 to A$76 a tonne.

The Christmas Island workers have been offered a rise of A$30 a week to bring them to Australian mainland parity, but they are seeking A$35.

Walker reacts to lamb war decision

Agriculture Minister Mr. Peter Walker yesterday expressed "surprise and disappointment" at the latest refusal by the EEC Commission to take action against France over the lamb war.

The Commission met in Brussels on Wednesday and was under pressure from the British Government to take France before the European Court again for continuing to flout its five-month-old ruling that its ban on UK imports of lamb is illegal.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Rallied on the London Metal Exchange. The initial strength of precious metals and other commodities prompted good buying of forward metal which climbed to £1,260 on the pre-market and further ahead to £1,265 during the second morning ring following heavy buying from one influential source. In the afternoon a strong opening on Comex pushed forward metal in London ahead to £1 270. However, this level attracted sizeable profit-taking and with Comex easing back the price dipped to close the late kerb at £1,246. Turnover 19,275 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	1235-7	+18.5	1236-8	+22
3 months	1255-7	+21.5	1256-7	+24
Settlem't	1237	+19	—	......
Cathodes				
Cash	1183-5	+19	1186-90	+21
3 months	1220-2	+25	1221-8	+24.5
Settlem't	1185	+18	—	......
U.S. Prod	—	......	*138-46	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £1,245, three months £1,255, 58, 59, 60, 61, 64, 65, 66, 65, 64, 63, 60, 58, 57, 56, 55. Kerb: Wirebars, three months £1,257, 58, 59, 60, 58, 57. Afternoon: Wirebars, three months £1,265, 63, 64, 65, 60, 59, 58, 57, 56, 55, 54, 55, 58, 55, 57, 56. Cathodes, three months £1,222. Kerb: Wirebars, three months £1,252, 55, 54, 53, 46, 47, 48, 49, 48, 47, 46, 47, 48, 47.

TIN—Up again following a sharp rise in Penang. Forward metal opened higher at £7,670 but fell back to £7,600 on the morning kerb owing to profit-taking, hedge selling and a lack of follow-through from the previous day. In the afternoon, however, influential buying from one quarter more than offset U.S. selling, and the market picked up to close the late kerb at £7,650. Turnover 988 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7520-30	+80	7520-30	+30
3 months	7630-50	+80	7610-50	+30
Settlem't	7530	+80	—	......
Standard				
Cash	7520-30	+80	7520-30	+30
3 months	7630-40	+80	7610-20	+30
Settlem't	7530	+80	—	......
Straits E.	‡$B301	+51		......
New York	—	......		......

Morning: Standard, cash £7,530, 20, three months £7,650, 60, 70, 50, 40. Kerb: Standard, three months £7,630. Afternoon: Standard cash £7,530, three months £7,610, 7,600, 05, 10. Kerb: Standard, three months £7,620, 30.

Lead—Firmer but well below the day's highest levels. Forward metal traded around £492 on the pre-market and picked up to touch £500 in the morning rings and on the kerb reflecting the strength of copper. However, in the afternoon selling on U.S. account, stop-loss selling and the absence of any significant fresh buying saw the price fall back to close the late kerb at £487. Turnover 12,475 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	515-6	+11.5	496-9	+2.5
3 months	501-2	+22	486-7	+2.5
S'ment	516	+11	—	......
U.S. Spot	—	......	*50	......

Morning: Cash £504, 5, 8, 10, 12, 13, 15, 16 three months £494, 95, 94, 94.5, 94, 95, 96, 97, 96.5, 96, 97, 500, 01. Kerb: Three months £501, 500. Afternoon: Three months £500, 499, 98, 97, 96, 95, 94, 93, 92, 90, 89, 86, 87. Kerb: Three months £488, 86, 87, 86.

ZINC—Sharply higher following renewed speculative interest prompted by the gains in other commodities. Forward metal traded at £395 on the pre-market and held steady around that level for most of the morning. In the afternoon, however, speculative buying came into the market and pushed the price up to a day's high of £404 on the kerb before profit-taking pared the quotation to around £396 at the close. Turnover 12,175 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	388.5-9.5	+14	390-2	+20
3 months	397-.5	+11.7	402-3	+21.2
S'ment	389-.5	+15.5	—	......
Primw'ts	—	......	*37.5	......

Morning: Cash £389, three months £398, 95, 96, 97, 98. Kerb: Three months £395, 96. Afternoon: Three months £399, 400, 01.5, 400, 01, 02, 400, 01, 01.5, 1, 400, 1, 2. Kerb: Three months £401, 2, 3, 4, 4.5, 5, 4, 3, 2, 400, 398, 99, 98, 97, 96, 93.

ALUMINIUM—Gained ground along with other metals. Forward metal moved ahead strongly to touch £948 during the morning but met chartist selling at this level which pared the price to around £942 at the close of the afternoon kerb. Turnover 14,100 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	936-7	+11.5	933-5	+15
3 months	947-8	+15.2	946-7	+15

Morning: Cash £936, 37, three months £943, 44, 45, 46, 47, 48, 47.5, 47. Kerb: Three months £946, 47. Afternoon: Three months £948, 49, 48, 45, 46. Kerb: Three months £946, 45, 44.

NICKEL—Marginally firmer in quiet trading. Forward metal opened around £3,160 and edged up to £3,180 before easing to close the late kerb at £3,155. Turnover 696 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	3010-30	+50	3040-60	+40
3 months	3135-45	+55	3160-5	+25

Morning: Three months £3,150, 80, 80, 50, 40, 45, 40. Kerb: Three months £3,150. Afternoon: Three months £3,180, 80, 55, 60, 65. Kerb. Three months £3165, 60, 55.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

CORAL INDEX: Close 454-459 (unchanged)

SILVER

LME—Turnover 292 (375) lots of 10,000 ozs. Morning: cash 1480, 82, 75, three months 1480, 85, 80, 90, 95, 90, 1500, 1495. Kerbs: three months 1500, 10. Afternoon: three months 1520, 1500, 10, 20, 1500, 20, 30, 20, 15, 20. Kerbs: three months 1510, 1500.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	1465.30p	+148	1500.0p	+140
3 months	1477.0p	+151	1517.0p	+142
6 months	1484.0p	+154	—	......
12 months	1484.0p	+157	—	......

Silver was fixed £1.4835 an ounce higher for spot delivery in the London bullion market yesterday, at £14.653. U.S. cent equivalents of the fixing levels were: spot $33.5, up $3.5; three-month $33.617, up $3.55; six-month $33.641, up $3.606; and 12-month $33.478, up $3.624. The metal opened at £14.25-14.70 ($32½-33½) and closed at £14.75-15.10 ($33.75-34.5).

COCOA

Futures today drifted rather aimlessly within an £18 range and on renewed interest at the end of the day closed on a steady note a little higher than Wednesday evening. Physicals were a much more quiet affair today with producers still sidelined and only light interest from consumers, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
March	1392-400	-4.5	1407-1393
May	1426-28	+5.5	1430-12
July	1446-48	+3.5	1448-33
Sep	1466-67	+7.0	1466-54
Dec	1497-505	+8.0	1501-1487
March	1515-30	+8.5	1520-13
May	1535-50	+10.0	1543

Sales: 2,433 (3,369) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price Feb. 20 144.15 (144.94); Indicator price Feb. 21. 15-day average 149.09 (149.32): 22-day average 147.59 (147.52).

COFFEE

With no fresh fundamental news robustas opened £4-£6 higher but soon eased back under trade selling pressure mainly in nearby March during a featureless and thin trading session. The afternoon followed a similar trend of late with values consolidating in a very narrow range and a light volume. Towards the close producer participation sparked some late activity into an otherwise quiet day, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1494-98	-6.5	1501-88
May	1537-38	+5.0	1550-31
July	1560-61	+3.0	1564-52
Sept.	1585-86	-5.0	1587-76
Nov.	1585-95	+10.0	1595-82
January	1575-00	+10.5	1585
March	1560-85	+10.0	—

Sales: 4,008 (4,479) lots of 5 tonnes.

ICS Indicator prices for Feb. 20 (cents per pound). Other Mild Arabicas 163.83 (183.50). Robustas ICA 1976 160.75 (159.00). ICA 1968 161.00 (159.25). Unwashed Arabicas 187.00 (185.00). Comp. daily ICA 1968 173.97 (172.35).

GRAINS

LONDON GRAIN FUTURES—The market opened higher. Barley found outstanding country and shipper interest and good demand was noted, although there was strong profit-taking and pre-render liquidation. A steady fob market meant there was always steady shipper interest and the market closed firm. Old crop wheat was steady. New crops finished firm between 50-60 points higher with strong fob interest initiating shipper support for September-November barley, reports Acli.

WHEAT Mnth	Yest'rdays close	+ or —	BARLEY Yest'rday close	+ or —
Mar.	95.45	+0.50	96.55	+0.80
May	100.15	+0.55	99.85	+0.85
Sept	95.70	+0.55	92.40	+0.55
Nov.	98.70	+0.56	97.50	+0.50
Jan.	103.70	+0.60	101.45	+0.60

Business done—Wheat: March 95.80-95.30, May 100.45-100.05, Sept. 95.45-95.25, Nov. 99.50-99.45, Jan. no trade. Sales, 453 lots of 100 tonnes. Barley: March 95.55-95.00, May 100.05-99.30, Sept. 93.20-93.10, Nov. 97.10-97.15, Jan. 101.00-101.00. Sales, 643 lots of 100 tonnes.

IMPORTED — Wheat: U.S. Dark Northern Spring No. 2 14 per cent Feb. 98, March 98 50, April/May 95, transhipment east coast. U.S. Hard Winter 13½ per cent Feb. 93.75, March 84.75 transhipment east coast. Maize: U.S./French Feb. 116.25, March 117 transhipment east coast. Barley: English Feed fob Feb. 100.50, March 102.00, April 104.00, April/June 105.00 east coast sellers, March 101.50 paid east coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed—Barley: S. East 94.60, S. West 96.10, W. Midlands 96.00, N. West 94.20.

RUBBER

The London physical market opened easier, with fair interest at lower levels, closing slightly steadier. Lewis and Peat reported a Malaysian godown price of 354 nom cents a kg (buyer, March).

No. 1 R.S.S.	Yest'rdays Close	Previous Close	Business Done
Mar.	78.95-79.00	75.00-76.00	—
Apr.	82.10-82.30	77.50-78.00	—
Apr.-Jne	82.60-85.00	78.60-79.30	84.00-81.50
Jly.-Sept	86.95-87.00	84.00-84.10	88.15-85.70
Oct-Dec	89.90-90.00	87.10-87.25	91.35-87.00
Jan-Mar	92.10-92.20	89.50-89.60	93.00-91.00
Apr-Jne	94.55-94.40	91.70-91.75	94.50-94.10
Jly.-Sept	96.80-96.65	94.00-94.10	97.60-96.60
Oct-Dec	98.40-98.90	96.20-96.50	99.60-98.20

Sales: 1,496 (2,248) at 15 tonnes.

Physical closing prices (buyer) were: Spot 75.00p (70.00p): March 77.50p (74.00p): April 79.50p (76.00p).

SOYABEAN MEAL

The London market opened 30p easier on light commission house selling, reports T. G. Roddick, and remained quiet for the rest of the day easing slightly further on final call to close 50p down.

	Yest'rd'y Close	+ or —	Business Done
	£ per tonne		
February	112.00-17.0	+0.6	—
April	111.00-11.2	-0.55	111.00-11.20
June	110.70-10.9	-0.55	111.40-10.80
August	115.00-15.5	-1.05	—
October	112.00-15.0	-0.75	115.50-15.00
December	115.90-16.3	-0.55	116.00-15.90
February	118.30-19.5	-1.0	118.50

Sales: 49 (43) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £231.00 (£225.00) a tonne cif for Feb.-March-April shipment. White sugar daily price was £255.00 (£240.00).

Despite the failure of Colombia to sell yesterday the market opened higher with May $264 and August/October both bid at the limit advance. In the afternoon prices gained ground with May touching $272.00 and August $275 before New York quotations failed to hold at the 1 cent limit up after which losses of some £5-£6 occurred, reports C. Czarnikow.

Sugar Pref. Comm. Con.	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
March	258.80-257.8	241.00-45.00	265.00-247.0
May	265.75-266.0	251.75-52.00	272.00-251.0
Aug.	270.00-270.5	253.50-54.75	275.00-255.0
Oct.	275.50-274.0	256.00-56.50	278.00-258.5

Sales: 10,533 (11,954) lots of 50 tonnes.

NUMBER 4 CONTRACT—Close (in order buyer, seller only). May 269.00, 270.00; Aug. 270.00, 274.00; Oct. 276.00, 278.00; Jan. 276.00, 278.00. March 270.00, 275.00. May 270.00, 278.00. Sales 128 (108).

Tate and Lyle ex-refinery price for granulated basis white sugar was £318.70 (same) a tonne for home trade and £334.00 (£306.00) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for February 20: Daily price 21.66 (22.03). 15-day average 23.12 (23.01).

COTTON

LIVERPOOL—No spot or shipment sales were recorded for the second day running, leaving the total for the week so far at 375 tonnes. Few contracts were under consideration and the obscure outlook deterred users from extending commitments. Attention was centred on American-type qualities, with little sign of pressure for supplies.

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. May 402, 403, 402-400, 14; Aug. 412, 414, 414-410, 17; Oct. 416, 417, 418-417, 5; Dec. 418, 420, 419, 15; Jan. 417, 420, 413, 2; March 422, 425, 422, 3; May 427, 428, 427-422, 5; Aug. 429, 430, 429-427, 46. Sales, 110.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per pound. March 470.0, 471.0, 473.0-469.0, 81; May 485.0, 487.0, 493.0-485.0, 205; July 514.0, 515.0, 517.0-514.0, 386; Oct. 512.0, 512.5, 515.5-512.0, 143; Dec. 512.0, 512.5, 515.0-512.0, 79; March 514.0, 515.0, 514.0-512.0, 38; May 514.0, 515.0, 513.5-512.0, 35; July 518.0, 520.0, 520.0-515.0, 12. Sales: 959.

BRADFORD WOOL—Business was varied, but never very good, market sources said. There was some enquiry, however and deliveries moved off well. Prices were firmer where leered, helped by doubts about the Australian situation. Reuter

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HIDES—Manchester: weak. Second clears. Ox 31-35.5 kilos, 40.3p a kilo (40.0p a kilo); 26-30.5 kilos, 46.1p a kilo withdrawn (49.0p): 22-25.5 kilos, 58.1p (58.1p a kilo withdrawn). Light cows 54.5p (56.0p).

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GRIMSBY FISH — Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shell cod £3.30-£4.50, codlings £3.00-£3.80. Large haddock £4.00-£4.40, medium £3.20-£3.80, small £2.20-£2.70. Large plaice £3.40-£3.70, medium £3.00-£5.00, best small £3.00-£3.30. Skinned dogfish (medium) £8.50. Lemon soles £9.50. Saithe £2.20-£2.80.

PRICE CHANGES

In tonnes unless otherwise stated.

	Feb. 20 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£710/810
Free Mkt (cs)	$2180/2200	......	$1850/195
Copper			
Cash w'bar	£1,237	+22	£1,214
3 mths	£1,256.5	+24	£1,225.5
Cash Cathode	£1,188	+21	£1,167.5
3 mths	£1,221.5	+24.5	£1,135
Gold troy oz	$657.5	-50	$705
Lead cash	£497.5	+2.5	£500
3 mths	£486.5	+8.5	£496.25
Nickel	£3,105.78	......	£3,195.78
Freemkt/cif lb	305/350c	......	305/350c
Platin'mtr'y oz	£189.0	......	£189
Free mkt	£384.70	+7.25	£355.10
Quicksil'ver†	$380/400	-10	$400/410
Silver troy oz	1465.30p	+148.3	1821p
3 months	1477p	+151.1	1780.60p
Tin Cash	£7,565	+30	£7,410
3 mths	£7,615	+30	£7,555
Tungsten22.04lb	$139.11	......	$152
Wolfrm 22.04 lb	$138/142	-2.5	$140/144
Zinc cash	£391	+20	£346.75
3 months	£402.5	+21.25	£385.5
Producers	$825	......	$780/825
Oils			
Coconut (Phil.)	$835‡	+75	$820
Groundnut	‡	......	‡
Linseed Crude	£445	......	$418‡
Palm Malayan	$670v	+5	‡
Seeds			
Copra Philip	$547.50r	-2.5	$505
Soyabean(U.S.)	$286.20z	+2.85	$285.85
Grains			
Barley Futures	£99.85	+0.85	£100.95
Maize			
French No3AM	£116.25	......	£117
Wheat			
No. 1 Red Spg.	‡		‡
No2HardWint.	£93.75	-0.5	£224
Eng. Milling‡	‡	......	‡
Other commodities			
Cocoa ship't	£1,450	-5	£1,505
Future May	£1,427	+5.5	£1,444
CoffeeF't'rMay	£1,537.5	+6	£1,507.5
Cotton A.Index	95.35c*	......	89.45c
Rubber (kilo)	75p	+5	80.25p
Sugar (Raw)	£231	+6	£210
Wooltp's 64s kl	297p kilo	+2	290pkilo

r March. s June. v Feb.-March. t March-April. u April. w May. x July. z Indicator. § Buyer. † Per 76 lb flask. * Nominal.

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on February 21: GB Cattle 79.01p per kg liveweight (−1.31); UK Sheep 154.5p per kg est dcw (+8.3); GB Pigs 63.5p per kg liveweight (−3.2).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 64.0 to 68.0; Eire hindquarters 68.0 to 72.0, forequarters 46.0 to 49.0. Veal: English fats 74.0 to 83.0; Dutch hinds and ends 99.0 to 104.0. Lamb: English small 54.0 to 64.0, medium 50.0 to 64.0, heavy 46.0 to 58.0; Scotch medium 46.0 to 64.0, heavy 44.0 to 56.0; Imported frozen: New Zealand PL new season 53.5 to 54.0, New Zealand PM new season 51.5 to 52.0. Pork: English, under 100 lbs 40.0 to 49.0, 100-120 lbs 38.0 to 48.0, 120-160 lbs 36.0 to 44.0.

COVENT GARDEN—Prices in sterling per package except where otherwise stated: Imported Produce: Oranges—Spania: Novol 3.50-4.30; Jaffa: Shamouti 50/189's 3.75-5.50; Moroccan: 64/113's 3.50-3.80. Satsumas—Spania: 95/189's 3.40-4.20; Clementines Spania: 4.50-5.50; Wilkins 5.00-5.20. Lemons—Italian: 100/150's 4.50; Cyprus: 11 kg 84/120's 3.00-4.40; Greek: 4.60-5.00; Spanish: Trays 1.50-1.70; Californian: 99/115's 5.50. Grapefruit—Cyprus: 20 kg 3.10-4.40; Jaffa: Large boxes 32/88's 4.80; Florida: Pink Flesh 36/48's 4.20-4.80. Apples — French: Golden Delicious, boxes 40 lbs 138/175's 3.60-5.00, 20 lbs 1.60-2.40; Granny Smith 20 lbs 2.40-3.00, 40 lbs 4.50-6.00, Starkcrimson, approx. 20 lbs 72's 2.60; 40lbs 5.80-6.50; Italian: Granny Smith 20 lbs, per pound 0.14-0.16, Jonathan 0.08½, Sterling 0.11, Golden delicious 0.09; Spanish: Starkcrimson 5.00-5.50. Grapes—Californian: Red Emperor, per pound 0.50-0.55; S. African: San Hannah 5.80, Alphonse 7.00, Waltham Cross 7.00. Plums—S. African: Gaviotas 0.38-0.45, Wickson 0.36-0.45, Eldorado 0.40-0.45. Ortaniques—Jamaican: 54/126's 5.30-7.50. Avocados—Israeli: 4.00-4.20. Melons—Spanish: 10 kg Green 9/11's 7.00; Ecuador: White 4.00; Chilean: Green 10.00-11.00. Pineapples—Ivory Coast: Each 12 0.40-0.70, 6's 1.00-1.10; S. African: 6/9's 2.50-2.70. Onions—Spanish: 4.50-5.00; Dutch: 3.30; Canadian: 50 lbs 3.80. Tomatoes—Canary: 3.60-5.00. Bananas—Jamaican: 26 lbs 0.18. Lettuce—Dutch: 24's 2.60; French: 1.00. Cucumbers—Canary: 14/19's 3.60-4.20. Capsicums—Canary: Per pound 0.38; Cuban: 0.38; Ethiopian: 0.40. Celery—Israeli: 24/36's 3.00-4.00; Spanish: 18/36's 3.00-4.00. California: 24's 5.00; Italian: 12/15's 2.50. Chicory—Belgian: 5 lbs 1.60-1.80. Potatoes—Italian: Boxes 20 lbs 3.00; Cyprus: 55 lbs 4.90; Egyptian: 4.50. Dates—Tunisian: 30's per box 0.36-0.42. English Produce: Potatoes—Per bag 2.00-2.60. Mushrooms—Per pound 0.50-0.55. Apples—Per pound Bramley 0.06-0.13. Cox's Orange Pippin 0.08-0.16. Laxton 0.08-0.10. Spartans 0.08-0.10. Pears—Per pound Conference 0.08-0.12, Comice 0.16-0.22.

AMERICAN MARKETS

NEW YORK, February 21.

GOLD REMAINED volatile, closing lower on commission house liquidation and local selling. Silver recovered from limit losses to finish higher for the day. Copper was higher reflecting gold price swings. Sugar posted limited gains on industrial price fixing and commission house buying. Cocoa finished sharply lower in the front months on speculative liquidation, which touched off stop-loss selling. Coffee was higher on trade and local buying. Mixed commission house activity kept the cotton market directionless. The livestock complex was higher on the constructive cold storage report and the firmer tone in beef prices. The grains and soyabeans were mixed, Heinold reported.

Potatoes (round whites)—March 53.0-53.5 (53.0), April 57.3 (56.0), May 67.0-67.3, Nov. 76.4-76.5. Sales 417.

Sugar—No. 11 March 24.30-24.40 (23.32), May 25.80 (24.80), July 26.66, Sept 27.04, Oct. 26.99, Jan. 26.80, March 26.97, May 26.70, July 26.75. Sales 21,251.

Tin—805.00-815.00 asked (805.00-814.00).

CHICAGO, February 21.

Lard—Chicago loose 20.00 (same). New York prime steam unavailable.

Live Cattle—April 71.80-71.90 (71.27), June 73.80-73.90 (72.95), Aug. 73.60-73.50, Oct. 72.25-72.32, Dec. 73.47-73.55, Feb. 73.75.

Live Hogs—April 37.50-37.30 (37.27), June 41.00-41.05 (40.72), July 41.90-41.95, Aug. 41.50-41.55, Oct. 40.82, Dec. 43.55-43.65, Feb. 45.70, April 44.35.

‡‡Maize—March 269-269¼ (270), May 282¾-283 (283¼), July 294¼-294½, Sept. 303¾, Dec. 313¾-313, March 324½.

Pork Bellies—Feb. 39.50-39.60 (39.10), March 39.65-39.80 (39.13), May 41.05-41.20, July 42.50-42.60, Aug. 41.95-41.90, Feb. 52.00, March 52.50, May —, July —, Aug. —.

Silver—Feb. 3410.0 (3325.0), March 3440.0 (3425.0), April 3465.0, June 3525.0, Aug. 3575.0, Oct. 3625.0, Dec. 3625.0, Feb. 3725.0, April 3775.0, June 3825.0, Aug. 3875.0, Oct 3925.0, Dec. 3975.0, Feb. 4025.0, April 4075.0, June 4125.0, Aug. 4175.0.

†Soyabeans—March 644½-645 (643¼), May 668-669 (667¼), July 690-690½, Aug. 699½, Sept. 708, Nov. 720½-720, Jan 728, March 757.

‖Soyabean Meal—March 177.50-177.60 (177.70), May 183.50-183.70 (183.70), July 189.50-189.30, Aug. 192.20-192.50, Sept. 195.30-196.00, Oct. 197.10-197.50, Dec. 201.50-201.30, Jan. 204.00, March 209.00.

Soyabean Oil—March 22.95-22.90 (22.82), May 23.53-23.57 (23.44), July 24.05, Aug 24.35, Sept. 24.60, Oct 24.80, Dec. 25.20, Jan. 25.30, March 25.65-25.70, May 25.95-26.00.

‡Wheat—March 445½-445 (443½), May 459½-458½ (455½), July 465¾-466, Sept 476¾, Dec. 494, March 510.

WINNIPEG, February 21.

§Barley—March 111.00 (111.10), May 114.00 (113.90), July 114.30, Oct. 110.20, Dec. 109.40.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, February 21.

Wheat—U.S. No 2 Dark Hard Winter 13.5 per cent March $197. U.S Hard Winter ordinary unquoted. U.S. No. 2 Red Winter Feb. $194, March $196. U.S. No 2 Northern Spring 14 per cent Feb. $202, March $204.50, April/May $157.50, May/June $197.50.

Soyabeans—U.S. Two Yellow Gulfports all $265, Feb. $265, March $265.75 sellers/$264.50 buyers, April $271.50, May $274.25, June $281, July $283.25, Aug. $266.75, Sept. $290, Oct. $292, Nov. $291.75, Dec. $298.50, Jan. $302.25, Feb. $309, March $311.75. Brazil Yellow fed unquoted. Argentine May $274, June $279, July $279.50, Aug. $282.50.

Soyameal—44 per cent protein U.S. all $231, Feb.-March $232, April/June $234, April-Sept $238.50, Nov./March $255. Brazil Pellets March $241.50, April/May $239, April/Sept. $243.50.

PARIS, February 21

Cocoa (FFr per 100 kilos). March 1285, May 1310-1318, July 1320, Sept. 1340, Dec. 1350, March 1360. Sales at call 2.

Sugar (FFr per 100 kilos). May 2435-2436, July 2435-2460, Aug. 2455-2460, Oct 2475-2495, Nov. 2470-2500, Dec. 2500-2550, March 2505-2565, May 2520-2580. Sales at call 25.

INDICES

FINANCIAL TIMES

Feb. 20	Feb. 18	M'nth ago	Year ago
299.10	304.03	304.18	268.56

(Base: July 1, 1952=100)

MOODY'S

Feb. 20	Feb. 19	M'nth ago	Year ago
1377.1	1435.0	1308.0	1051.9

(December 31, 1931=100)

DOW JONES

Dow Jones	Feb. 20	Feb. 1	Month ago	Year ago
Spot	442.67	442.92	437.30	380.04
F'tur's	454.27	459.18	441.35	380.47

(Average 1924-25-26=100)

REUTERS

Feb. 21	Feb. 20	M'nth ago	Year ago
1773.4	1760.4	1777.1	1654.3

(Base: September 18, 1931=100)

Leading equities fluctuate narrowly in thin trade while gilts move irregularly—Golds stage good rally

Account Dealing Dates
Options

*First Dealings	Declarations	Last Dealings	Account Day
Jan. 28	Feb. 7	Feb. 8	Feb. 18
Feb. 11	Feb. 21	Feb. 22	Mar. 3
Feb. 25	Mar. 6	Mar. 7	Mar. 17

Account Dealing Dates
* "New time" dealings may take place from 9.30 a.m. two business days earlier.

With business inhibited by the still-unresolved steel dispute and the overall depressing UK labour scene, the performance of stock markets yesterday was drab to say the least. Leading shares failed to be inspired by Wall Street's overnight rally, although the Oil sector benefited from U.S. influences and expectations that all companies, large and small, should report impressive results this year.

Once again, situation stocks stimulated most interest. With the institutions continuing to play a waiting game, however, the absence of any worthwhile business remained an overall drag on sentiment. This was reflected in a mid-morning down-drift in leading shares, a trend only arrested by reports that the Welsh miners' industrial action from next Monday in support of the steel workers is unlikely to be a unanimous affair.

ICI were particularly resilient initially and imparted firmness to a few other leaders, but the majority tended to ease a shade. The major clearing banks steadied after Wednesday's fall on resurrected seasonal speculation about pending rights issues: Lloyds is due to announce its preliminary statement today. Measuring the overall trend, the FT 30-share index mostly regained a loss of 2.6 at 11 am to close only a net 0.7 off at 457.6.

Government stocks followed diverse trends with the shorts continuing in firm vein but the longs moving lower. The former attracted fresh investment funds and overcame attempted reactionary movements to close with gains extending to ⅜. The longs, however, remained overshadowed by the likelihood that any new Government funding would be in this area and lost as much as ½. The £70-paid Treasury 12½ per cent A 2003/05 gave up that amount at 54¾, after 65⅝.

Business in Traded options was slower than on Wednesday and 503 contracts were completed. Shell attracted a useful trade with 194 deals.

Gillett down again

Plant hire concern Roche Plant, formerly Webb-Nash, staged a quiet market debut and from an opening level of 29p the shares progressed to 34p on small buying; the shares are dealt under special rule.

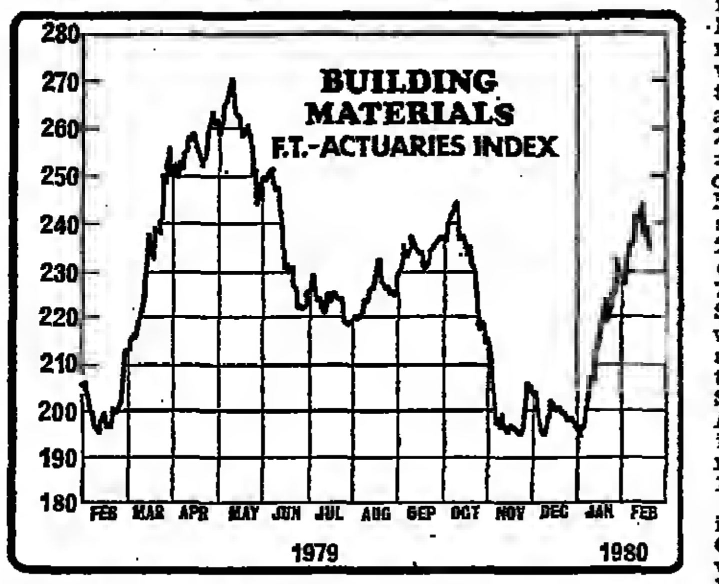
Gillett Brothers were marked down 15 for a two-day fall of 55 to 165p on the poor preliminary results and dividend cut. Other Discounts made a dull showing with Allen Harvey and Ross 10 lower at 310p and Union 5 off at 365p. Clive and Cater Ryder cheapened 2 apiece to 68p and 303p respectively. Elsewhere, UDT responded to new time buying with a gain of 4 to 47p, while Goode Durrant and Murray added 1½ to 28½p following the increased annual profits. Merchant banks encountered a reasonable two-way business and closed with narrow mixed movements. The major clearing banks were subdued ahead of Lloyds' preliminary results, due today. Lloyds held at 298p, but NatWest shed 5 to 355p, while Barclays, 438p, and Midland, 358p, both eased a couple of pence.

Insurances recovered a little composure following Thursday's shake-out. Commercial Union, at 140p, recouped half the previous day's fall of 6, while Royals improved 5 at 343p and Guardian Royal Exchange hardened a couple of pence to 240p.

Although business remained at a low ebb, selected Breweries made useful headway on thoughts that duty increases in the budget may be smaller than previously anticipated. Bass, 216p, and Whitbread, 138p, added 4 and 3 respectively, while Scottish and Newcastle hardened a penny to 57p. Regional counters met small buyers and Vaux picked up 4 to 153p, while Wolverhampton and Dudley improved 7 to 301p.

Special situations provided the main focal points in Building descriptions. Armitage Shanks, at 98p, recouped 3 of the previous day's fall of 6 pending news of the level of acceptances to the bid from Blue Circle; the latter hardened a couple of pence to 298p. Royco added a penny to 49½p; the independent directors of the company are advising shareholders to reject Boonerpark's 50p per share cash bid for the company. A fluctuating market of late on bid rumours, Montague L. Meyer slipped to 94p before recovering to the overnight level of 98p. Other Buildings made a dull showing, but selling pressure was light. Costain eased 4 to 150p and Wimpey a penny to 76p, while SGB shed a couple of pence to 238p. Mixconcrete, a rising market of late on Irish buying, gave up 3 to 84p, while Ready Mixed Concrete cheapened 2 to 163p.

ICI touched 394p before reverting to the overnight level of 390p after light trading. Fisons retained a gain of a couple of pence at 284p. Elsewhere in Chemicals, Bernard Wardle eased ½ to 32p on the lower annual profits; the company is the subject of a 33p per share cash bid from Birmingham and Midland Counties Trust. Dixor-Strand



encountered further selling and shed 3 to 15p for a fall so far on the week of 9. Plysu eased 4 to 100p on lack of interest with Scottish Agricultural Industries a like amount off at 169p, the latter in a thin market.

Courts up

Courts (Furnishers) A rose 5 to 88p on bid hopes following Wednesday's approach to Henderson-Kenton. Harris Queensway, rumoured suitors to the latter, declined 3 for a two-day loss of 11 at 175p. Elsewhere among secondary Stores, R. and J. Pullman eased 2 to 48p after the interim statement, while Foster Bros met further profit-taking and shed 8 at 92p. B. Paradise, on the other hand, firmed a shade to 29p after Press comment, while James Beattie A also attracted support and closed 3 better at 153p. The leaders remained subdued and, with the exception of House of Fraser, 4 up at 135p, tended to retain the overnight levels. In Shoes, Newbold and Burton added a couple of pence to 55p in response to the annual results, but Stylo fell 5 more to 175p.

Leading Electricals passed a rather subdued session and showed little alteration at the close. Elsewhere, the sharp fall in annual profits and statement on the outlook prompted marked weakness in Dale Electric which fell to 94p before settling at 99p for a fall of 16. Louis Newmark, a particularly good market of late, reacted 5 to 325p, while similar losses were marked against Wholesale Fittings, 570p, and Muirhead, 205p. On the other hand, fresh support was forthcoming for Electrocomponents, 13 to the good at 520p, while buying interest revived in Ferranti which improved 8 to 506p.

Leading Engineers held reasonably steady, but GKN, still unsettled by the steel dispute, gave up 5 more to 250p. Secondary issues recorded scattered losses. Renewed selling left Acrow A down 3 further at 39p, while similar falls were recorded in Baker Perkins, 90p, and T. W. Ward, 99p. The passing of the final dividend and sharp fall in annual profits caused dullness in AI Industrial Products, which fell 5 to 24p. A. Cohen reacted 10 to 260p and fresh offerings left RHP another 2½ lower at 85p. Fears of an even further lengthy wait for its nationalisation compensation left Vosper 5 cheaper at 165p. Against the trend, fresh support lifted Mining Supplies 3 more to 91p.

Morgan Edwards rose 15 to 138p, after 139p, in line with the proposed merger terms with Louis C. Edwards. The latter eased 2 to 66p. Elsewhere in the Food sector, Carr's Milling added 2 to 90p following a Press mention. In the leaders, Associated Dairies eased 3 to 175p and Rowntree Mackintosh 4 to 158p on scattered selling.

In Hotels and Caterers, renewed speculative buying lifted De Vere 13 to 236p in a thin market and prompted a gain of 10 more to a 1979-80 high of 138p in Savoy A. Ladbroke added 3 to 155p, the company's casino licence appeal is due to be heard next week.

Metal Box lower

The majority of miscellaneous Industrial leaders fluctuated narrowly and closed without much alteration on the day. Metal Box, however, continued to reflect the continuing steel dispute and reacted 6 to 244p on a revival of selling. Elsewhere, further consideration of the preliminary results prompted a reaction of 4 to 86p in Berisfords, while the Board changes failed to help Change Wares, 1½ cheaper at 7p. Bath and Portland closed 2 lower at 45p following the annual results and the statement on its Iranian contract. Booker McConnell encountered fresh selling and gave up 5 more to 250p, but a revival of speculative demand prompted a rise of 3 to 72½p in Howard Tenens. Thermal Syndicate lost 4 further to 106p, while Marshalls Universal, down a similar amount at 96p, failed to benefit from acquisition news. Sothebys eased 5 to 495p and Applied Computer fell 10 to 315p in a restricted market. Airfix reacted 1½ to a 1979/80 low of 18p.

Distributors again displayed an irregular appearance. British Car Auctions added 1½ to 69p, while Caffyns hardened 2 more to 192p. Glanfield Lawrence, 62p, lost 3 of the previous day's Press-inspired gain of 5, while Lex Service, 89p, and Jessups, 49p, both eased around 2. With the exception of Dunlop, 2 better at 68p, Components stayed close to the overnight positions.

Leading Newspapers were quietly mixed. Associated shed 3 to 305p, but International Thomson rose 7 to 487p. Independent rose 11 to 166p in a thin market.

Properties trended easier in sparse trading. The leaders registered marginal losses while, in secondary issues, Greycoat Estates, 119p, Land Investors, 46p, and Daejan, 125p, all shed 3, the last-named on consideration of the interim statement. Against the trend, Warner Estates added 3 to 245p.

Oils good

Helped by overnight firmness on Wall Street, Oil shares staged a fairly broad advance. Among the leaders, Shell touched 390p before settling at 386p for a rise of 8 on the day, but BP ended a shade cheaper on balance at 400p, after 404p. Siebens (UK) were well to the fore in secondary issues and closed 44 higher at 782p, while renewed speculative demand, which included some of the new Account starting next Monday, left Burmah 6 higher at 228p, after 231p. Tricentrol, also the subject of new-time buying, finished 18 to the good at 316p, after 324p. Rises of around 20 were marked against Cambridge Petroleum, 288p, and Cluff, 400p, while Attock improved 8 to 196p and Caledonian Offshore 30 to 280p.

Among Overseas Traders, Sime Darby added a penny to 91p in response to the half-time results and scrip issue. Lonrho recovered a similar amount to 101p, but S. and W. Berisford encountered small profit-taking and shed 3 to 158p.

Reflecting continuing fears that the C. Y. Tung bid may be referred to the Monopolies Commission, Furness Withy eased afresh to 363p before settling unchanged on the day at 368p. Other Shippings continued to trend easier, British and Commonwealth reacting 4 to 313p and P. and O. Deferred 2 to 115p. Milford Docks lost 7 to 148p.

The disappointing preliminary statement clipped a further 1½ from Carrington Viyella at 14½p. Other Textile majors trended easier in sympathy; Tootal fell 2 to 27½p, while Coats Patons dipped 1½ to 47p. Nottingham Manufacturing gave up a penny to 82p and Illingworth Morris A eased a fraction to 13½p. Elsewhere, Sidlaw moved against the trend, renewed speculative support prompting a rise of 5 at 162p, while Lister also turned better and added a couple of pence to 68p.

Strong rally in Golds

South African Golds recouped a good deal of the previous day's losses as the bullion price rallied sharply to close $30 up at $657.50 an ounce. The Gold Mines index regained 13.9 to 341.0.

Demand for gold shares was consistent throughout the day, with buying from one source, thought to have been representing Continental interests, particularly in evidence in the after-hours' business.

The late buying was responsible for a sharp rise in St. Helena which closed £1½ up at a 1979-80 high of £17, while other issues to register good gains included Randfontein, £1¾ up at £33¼, Western Holdings, £1½ firmer at £29, and Free State Geduld, which added a point at £28½.

Among the cheaper-priced stocks, South African Land recovered 64 of the previous day's fall of 99p to close at 415p.

The buying of Golds spilled over into Financials where Anglo American Corporation rose 26 to 630p, "Amgold" and GFSA ½ apiece to £38¼ and £38 respectively and Union Corporation 15 to 675p.

London-based Financials rallied strongly after an uncertain start. Gold Fields ended 16 to the good at 516p, after falling to 501p early on, while Rio Tinto Zinc put on 12 to 452p and Selection Trust 10 to 762p.

Australians moved erratically. The market got off to a good start, despite the uncertain trend in overnight Sydney and Melbourne exchanges, reflecting the rally in precious and base-metal prices.

However, renewed profit-taking emerged and prices closed well below the day's best.

Among the high quality issues, MIM Holdings were finally 4 up on balance at 274p, after 280p, Bougainville the same amount firmer at 206p, after 209p, and Western Mining 2 harder at 240p.

In the speculative stocks, Samantha touched 138p and 145p before closing barely changed on balance at 141p.

Elsewhere, Canada's Barymin advanced 8 to a 1979-80 high of 95p: West Germany's Metallgesellschaft recently acquired a 10 per cent holding in the company and signed a long term sales contract with Yava Mines, the company's lead-zinc producer in Nova Scotia.

FINANCIAL TIMES STOCK INDICES

	Feb. 21	Feb. 20	Feb. 19	Feb. 18	Feb. 15	Feb. 14	A year ago
Government Secs.	65.84	65.96	65.96	65.80	66.02	66.97	66.93
Fixed Interest	66.80	66.94	66.94	66.74	67.07	67.64	67.58
Industrial	457.6	458.3	461.8	463.0	462.6	473.9	459.2
Gold Mines	341.0	327.1	351.8	347.4	349.7	388.3	181.6
Ord. Div. Yield	7.26	7.25	7.18	7.17	7.18	7.01	6.17
Earnings, Yld. % (full)	17.86	17.82	17.67	17.63	17.66	17.28	16.11
P/E Ratio (net) (*)	6.86	6.97	6.93	6.96	6.94	7.11	8.04
Total bargains	12,182	18,991	18,817	18,919	24,628	27,506	—
Equity turnover £m	—	92.95	86.06	98.35	145.06	198.07	88.82
Equity bargains total	—	14,598	13,994	14,501	21,165	22,689	15,448

10 am 458.0. 11 am 455.7. Noon 456.2. 1 pm 456.7. 2 pm 457.6. 3 pm 458.2.

Latest Index 01-246 8026.

* Nil=8.60.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979/80 High	1979/80 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/5)	63.30 (10/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.78 (6/5)	64.06 (16/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.0 (4/5)	406.3 (15/11)	558.2 (4/5/79)	49.4 (26/6/40)
Gold Mines	360.4 (18/1/80)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 21	Feb. 20
—Daily		
Gilt Edged	106.3	119.9
Industrials	109.8	125.5
Speculative	75.6	70.0
Totals	81.2	86.7
5-d'y Av'r'ge		
Gilt Edged	117.8	118.1
Industrials	121.9	151.9
Speculative	27.3	72.0
Totals	80.3	92.3

NEW HIGHS AND LOWS FOR 1979/80

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979-80.

NEW HIGHS (24)

AMERICANS (1)
Zapata Group
CANADIANS (2)
Gulf Oil Canada; Hudson's Bay O. & G.
STORES (1)
Polly Peck
ELECTRICALS (5)
Dale Electric; Thorpe (F. W.); Electrocomponents; Unitech; Farnell Elec.
ENGINEERING (1)
Chemring
FOODS (1)
Morgan Edwards
HOTELS (1)
Savoy "A"
INDUSTRIALS (3)
Howard Tenens; Securicor; Schlumberger
MOTORS (2)
Plaxton's; Supra Group
PAPER (1)
Ferry Pickering
TEXTILES (1)
Sidlaw Inds.
TRUSTS (2)
Anglo-Int. Div.; Jardine Japan
OIL AND GAS (1)
Burmah
MINES (2)
Pacific Copper; Barymin

NEW LOWS (16)

BRITISH FUNDS (1)
Treasury 12½pc '03-05 "A" (£70pd.)
STORES (1)
Vantona
ENGINEERING (2)
Norton (W. E.); Walker (C. & W.)
INDUSTRIALS (5)
Airfix Inds.; Man. Ship Canal; Bridport-Gundry; Watmah R. Angel; Change Wares 12pc Pfg. Pf.
PAPER (2)
Culter Guard Bridge; LCA
SHIPPING (1)
Jacobs (J. I.)
TEXTILES (2)
Cawdaw; Reliance Knitwear
OVERSEAS TRADERS (1)
Great Northern
TEAS (1)
Blantyre

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur., Feb. 21, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed., Feb. 20 Index No.	Tues., Feb. 19 Index No.	Mon., Feb. 18 Index No.	Fri., Feb. 15 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (172)	242.12	-0.4	18.06	6.46	6.99	243.21	245.57	247.26	245.55	226.31
2 Building Materials (27)	234.84	-0.9	16.90	6.68	7.55	236.91	238.75	237.39	238.70	208.05
3 Contracting, Construction (29)	366.35	-0.6	25.71	6.62	4.82	368.47	372.75	373.48	373.89	357.95
4 Electricals (15)	629.78	—	12.84	3.94	10.38	629.58	635.90	632.70	625.75	540.89
5 Engineering Contractors (11)	295.49	-0.4	25.06	8.66	5.08	296.86	300.81	299.58	303.86	347.39
6 Mechanical Engineering (74)	166.82	-0.3	20.59	7.82	6.03	167.36	168.43	167.85	170.27	174.27
8 Metals and Metal Forming (16)	160.09	-1.2	21.26	9.49	5.62	162.10	164.51	165.67	167.91	154.62
CONSUMER GOODS (DURABLE) (52)	220.62	+0.1	16.17	5.54	7.62	220.50	222.26	221.75	220.99	207.77
12 LL Electronics, Radio, TV (15)	310.69	—	12.38	4.15	10.36	310.55	313.59	313.00	310.84	272.02
13 Household Goods (14)	133.31	-0.2	26.91	9.16	4.44	133.55	134.66	134.28	133.65	157.07
14 Motors and Distributors (23)	111.41	+0.1	23.91	8.37	4.92	111.26	111.59	111.23	112.16	113.56
CONSUMER GOODS (NON-DURABLE) (173)	219.63	—	18.46	6.94	6.69	219.57	220.89	219.90	219.34	209.42
22 Breweries (14)	244.66	+1.2	16.86	6.85	7.34	241.55	244.44	257.84	257.95	222.08
23 Wines and Spirits (5)	290.17	+0.3	18.70	6.39	6.60	289.29	291.45	292.79	292.85	301.15
24 Entertainment, Catering (17)	307.37	+1.5	18.16	6.85	6.89	302.84	306.96	304.67	303.09	278.23
25 Food Manufacturing (19)	202.54	+0.1	19.99	7.19	6.19	202.43	203.58	203.49	203.62	199.22
26 Food Retailing (15)	300.72	-0.1	14.05	4.99	8.64	301.10	305.39	301.59	300.39	301.26
32 Newspapers, Publishing (13)	445.78	-0.4	22.64	6.74	6.03	447.56	449.18	452.36	450.81	489.85
33 Packaging and Paper (15)	129.77	+0.2	22.95	8.75	5.61	129.58	131.06	131.52	131.79	133.31
34 Stores (43)	215.62	-0.3	14.27	5.28	9.06	216.17	217.50	216.17	213.94	195.93
35 Textiles (24)	138.34	-2.0	27.45	11.77	4.58	132.95	134.65	133.98	132.70	160.50
36 Tobaccos (3)	207.18	-1.0	28.03	11.35	4.05	209.34	208.76	208.15	207.89	244.38
37 Toys and Games (5)	39.35	-0.7	38.21	12.90	3.22	39.62	39.91	40.55	40.23	97.16
41 OTHER GROUPS (97)	208.40	-0.3	15.32	6.21	7.96	209.16	211.04	211.13	211.23	196.91
42 Chemicals (17)	290.60	—	15.87	6.51	7.27	289.57	292.00	315.45	309.46	285.24
43 Pharmaceutical Products (7)	211.14	-0.5	12.06	6.06	10.11	212.15	213.39	213.89	213.41	242.10
44 Office Equipment (6)	118.61	-0.2	17.83	6.89	6.52	118.84	119.17	118.38	119.22	125.51
45 Shipping (10)	469.66	-0.3	11.29	6.88	11.32	471.82	477.30	479.44	480.65	497.64
46 Miscellaneous (57)	245.64	-0.3	16.43	6.58	7.71	246.44	248.95	249.71	254.36	212.49
49 INDUSTRIAL GROUP (492)	229.85	-0.2	17.40	6.64	7.18	230.23	232.02	231.56	231.29	217.27
51 Oils (8)	618.14	+4.7	13.73	5.83	7.87	612.41	609.25	609.15	617.45	556.47
59 500 SHARE INDEX	276.15	—	16.58	6.44	7.26	276.07	277.51	276.64	275.74	244.98
61 FINANCIAL GROUP (117)	195.48	-0.1	—	5.91	—	195.74	197.25	198.01	198.37	177.14
62 Banks (6)	225.36	-0.9	36.90	5.77	3.46	227.47	231.97	232.32	230.96	206.65
63 Discount Houses (10)	226.94	-1.2	—	8.79	—	229.66	237.19	241.76	241.96	224.79
64 Hire Purchase (5)	182.53	+2.5	18.22	5.21	7.15	178.13	178.42	178.46	177.53	158.42
65 Insurance (Life) (10)	169.84	+0.4	—	6.80	—	169.14	171.91	172.05	173.05	139.97
66 Insurance (Composite) (9)	127.32	+1.0	—	7.63	—	126.08	130.22	130.29	130.34	117.81
67 Insurance Brokers (10)	279.70	+0.2	17.65	7.01	8.14	279.08	282.35	281.56	282.67	298.05
68 Merchant Banks (14)	104.78	-0.5	—	6.76	—	105.27	106.85	106.61	105.75	87.05
69 Property (44)	359.99	-0.6	3.72	3.06	38.51	362.03	363.20	361.56	368.57	308.72
70 Miscellaneous (9)	131.67	-0.9	15.78	6.90	8.32	132.83	133.85	134.31	135.74	112.75
71 Investment Trusts (109)	227.02	-1.4	—	5.66	—	230.24	232.10	231.91	232.99	207.25
81 Mining Finance (4)	218.97	+2.6	10.53	4.04	11.53	213.48	221.37	221.92	222.35	142.27
91 Overseas Traders (20)	411.91	-0.9	22.31	6.55	5.95	415.79	423.33	422.05	423.09	337.05
99 ALL-SHARE INDEX (750)	258.33	—	—	6.19	—	258.40	260.80	260.60	259.55	226.11

FIXED INTEREST PRICE INDICES

British Government	Thur., Feb. 21	Day's change %	xd adj. today	xd adj. 1980 to date
1 Under 5 years	100.24	+0.26	—	2.10
2 5-15 years	103.96	-0.11	—	2.09
3 Over 15 years	108.35	-0.27	—	1.53
4 Irredeemables	128.48	-0.44	—	0.69
5 All stocks	104.02	-0.05	—	1.81

FIXED INTEREST YIELDS British Govt. Av. Gross Red.

			Thur., Feb. 21	Wed., Feb. 20	Year ago (approx.)
1	Low Coupons	5 years	12.89	12.92	10.17
2		15 years	12.76	12.74	11.96
3		25 years	12.76	12.74	12.77
4	Medium Coupons	5 years	14.77	14.77	11.83
5		15 years	14.32	14.28	13.01
6		25 years	14.19	14.14	13.41
7	High Coupons	5 years	14.97	15.01	13.26
8		15 years	14.69	14.64	13.99
9		25 years	14.39	14.27	13.41
10	Irredeemables		11.58	11.56	12.31

	Thurs., Feb. 21 Index No.	Yield %	Wed. Feb. 20	Tues. Feb. 19	Mon. Feb. 18	Fri. Feb. 15	Thurs. Feb. 14	Wed. Feb. 13	Tues. Feb. 12	Year ago (approx.)
15 20-yr. Red. Deb & Loans (15)	61.02	14.50	61.04	61.06	61.06	61.10	61.18	61.23	61.18	61.53
16 Investment Trust Prefs. (15)	48.51	14.91	48.35	48.34	48.22	48.20	47.66	47.77	47.77	48.68
17 Coml. and Indl. Prefs. (20)	61.89	14.83	61.61	61.70	61.70	61.71	61.81	61.87	61.80	68.87

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979-80 high	1979-80 low
Burmah Oil	£1	16	228	+ 6	231	82
Shell Transport	25p	11	386	+ 8	402	278
RTZ	25p	10	452	+12	482	226
LASMO	25p	9	482	+10	512	124
Tricentrol	25p	9	316	+18	326	148
Cons. Gold Fields	25p	8	516	+16	617	178
Brit. Car Auction	10p	7	69	+ 1½	95	47
BP	25p	7	400	− 2	414	220½
Ultramar	25p	7	490	+ 4	492	197
Barlow Rand	R0.10	6	450	+15	495	215
De Vere Hotels	25p	6	236	+13	262	177
Furness Withy	£1	6	368	—	400	218
GEC	25p	6	380	—	456	311
Imp. Cont. Gas	£1	6	735	+ 7	773	358
ICI	£1	5	390	—	415	314

LONDON TRADED OPTIONS

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	390	—	—	56	a	64	—	405p
BP	400	25	8	—	—	—	—	"
BP	420	—	—	40	31	48	—	"
BP	440	12	4	—	—	—	—	"
Com. Union	120	23	—	27	4	—	—	141p
Cons. Gold	360	160	1	174	—	—	—	514p
Cons. Gold	390	130	0	148	—	—	—	"
Cons. Gold	460	62	13	92	—	114	—	"
Cons. Gold	500	34	14	64	0	88	—	"
Cons. Gold	550	15	17	38	3	58	8	"
Courtaulds	70	9	—	12	7	14	—	74p
Courtaulds	80	4	—	7	1	9	—	"
GEC	390	20	—	40	—	52	2	381p
GEC	420	10	20	—	—	—	—	"
Grand Met.	120	17½	10	24½	—	—	—	133p
ICI	360	40	15	59	—	71	—	395p
ICI	390	25	—	43	6	52	—	"
ICI	420	14½	8	29	—	39	—	"
Land Secs.	330	6	10	10	—	—	—	293p
Shell	300	94	3	—	—	—	—	390p
Shell	330	64	21	84	—	92	—	"
Shell	360	38	15	58	3	66	—	"
Shell	390	22	54	37	72	50	35	"
Totals			220		181		52	
		May		August		November		
BOC	60	13	1	—	—	—	—	68p
Imperial Gp.	80	5	10	7½	—	a	—	83p
Imperial Gp.	90	a	35	5	—	6	10	"
Racal Elec.	200	01	1	39	—	48	—	214p
Racal Elec.	220	19	8	29	—	38	—	"
Racal Elec.	240	11	2	20	—	—	—	"
RTZ	420	57	23	87	13	100	3	446p
RTZ	460	34	16	83	—	76	—	"
RTZ	500	21	16	44	—	—	—	"
Totals			104		13		13	

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	30	44	18
Corpns. Dom. and Foreign Bonds	5	8	53
Industrials	173	345	880
Financial and Prop.	49	215	233
Oils	22	5	16
Plantations	1	12	15
Mines	69	31	50
Others	52	36	72
Totals	401	696	1,335

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 18	Feb. 29	May 29	Jun. 9
Mar. 3	Mar. 14	Jun. 12	Jun. 23
Mar. 17	Mar. 28	Jun. 26	Jul. 7

For rate indications see end of Share Information Service

Call options were dealt in Premier Oil, John Brown, FNFC 9½ per cent loan, Coral Leisure, Charterhall, Lonrho, Burmah, Debenhams, Town and City, Burton Warrants, KCA, Mining Supplies, Stylo, ICI and RTZ. Puts were arranged in Dunlop and Silvermines, while doubles were completed in Coral Leisure, Heron Motor, RTZ and Woodside.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p	+or–	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	[illegible]	102	100	Child Health Res'ch	101					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Emess Lighting	107	+1	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Keep Inv. Trust 5p	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Lon.Mer'tSecs.Defd	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Roche Plant 10p	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Worldwave NVDFL25	[illegible]					

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price £	+or–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Aurora 5.95% Cum. Pref.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Clifford(Chas.) 12% Cum. Pref.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Felixstowe Dock 8.5% Cum Red Pref.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hewitt (J.) 10% Cum. Pref.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Ind Kent Water 9% Red Pref. 1985	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Uxbridge Wtr. [illegible]	[illegible]	

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p	+or–
[illegible]	Nil	[illegible]	15pm	10pm	Bank of Montreal	18pm	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Bankside (Louis C.)	[illegible]	
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Elson & Robbins	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hammerson Prop. A	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hanimex Corp.	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Pancontinental	[illegible]	
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Parinco	[illegible]	
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Premier Cons. Oilfields	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Transvaal London Coal Units	[illegible]	

Renunciation date usually last day for dealing free of stamp duty. [illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Rothschild Asset Mgt. (Bermuda)
P.O. Box 664, Bk. of Bermuda Bld., Bermuda
Reserve Assets Fd. $US9.71 9.92 — —
Prices on Jan. 14. Next dealing Feb. 20.

Royal Trust (C.I.) Fd. Mgt. Ltd.
P.O. Box 194, Royal Tst. Hse., Jersey. 0534 27441

TSB Gilt Fund Managers (C.I.) Ltd.
10 Wharf St., St. Helier, Jersey (CI). 0534 73494
TSB Gilt Fund 91.0 93.0 — 12.90
TSB Gilt Fd. (Jsy.) 91.0 93.0 — 12.90
Prices on February 20. Next sub. day February 27.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Group (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.

Barclays Unicorn Ltd.

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Trust Management (a)(g)

The British Life Office Ltd.

Brown Shipley & Co. Ltd.

Canada Life Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carliol Unit Fd. Mgrs. Ltd.

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.

Confederation Funds Mgt. Ltd. (a)

Cosmopolitan Fund Managers (a)

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Unit Tr. Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(c)(g)

Hill Samuel Unit Tst. Mgrs.

Investment Intelligence Ltd. (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National and Commercial

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Northgate Unit Trust Managers Ltd.

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Saturn Fund Management Limited

Save & Prosper Group

Schlesinger Trust Mngrs. Ltd. (a)(z)

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Sebag Unit Tst. Managers Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs.

TSB Unit Trusts (y)

Tyndall Managers Ltd.

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

NOTES

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Gartmore Bonds

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Phoenix Assurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive—Ldn. Agents

Bridge Management Ltd.

Britannia Tst. Mngmt. (C.I.) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jsy. Ltd.

The English Association

Eurobond Holdings N.V.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Frankfurt Trust Investment—GmbH

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Baring Group

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Invest. Mgmt. Intnl.

N.V. Interbeheer

International Pacific Inv. Mgmt. Ltd.

J.E.T. Managers (Jersey) Ltd.

Jardine Fleming & Co. Ltd.

Leopold Joseph & Sons (Guernsey)

Keyser Ullmann Ltd.

King & Shaxson Mngrs.

Kleinwort Benson Limited

Lazard Brothers & Co. (Jersey) Ltd.

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

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[illegible]

TINS

[illegible]

COPPER

230	56	Messina R0.50	215	+5	Q10c	ϕ	2.7

MISCELLANEOUS

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
155	78½	Anglo-Dominion	142	−6	—	—	—
95	54	Barymin	95	+8	—	—	—
14½	10	Burma Mines 17½p	14½	......	—	—	—
502	170	Cons. Murch. 10c.	430	......	Q100c	ϕ	11.9
535	280	Northgate C$1	485	−10	—	—	—
492	226	R.T.Z.	452	+12	†11.5	3.4	3.6
31	12	Robert Mines	23	......	—	—	—
65	26	Sabina Inds. C$1.	46	−1	—	—	—
880	470	Tara Exptn. $1	620	−23	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; aR ex capital distribution.

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

[illegible]

OPTIONS

3-month Call Rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Friday February 22 1980

Government cuts 21% from housing spending

BY PHILIP RAWSTORNE AND ANDREW TAYLOR

GOVERNMENT expenditure on housing in England will be cut by 21 per cent in 1980-81, Mr. Michael Heseltine, the Environment Secretary, announced in the Commons yesterday. He recommended a further increase in council rents.

The measures are the first announced in the revised public spending programme. The cuts will hit hardest at local authorities where tha council-house building programme is already at its lowest ebb since the war.

Mr. Heseltine said that local authorities would be allocated £2.199bo for their housing iovestment programme io 1980-81. The Housing Corporation would get £420m and tha 21 English New Towns £151m.

After allowing for the effects of inflatioo this represented an effective 21 per ceot reduction on estimated levels of housing expenditure in Eogland io tha current financial year. In real terms, at November 1978 prices, the fall would be £540m.

The Government announced an effective cut of 20 per cent to £299m in the allocation for council bousing in Scotland.

Mr. Heseltine told the Commons that council rents should ba lncreased by an average 60p a week from the second half of the year. With the £1.50 increases due in April, this would raise council rents by an average 28 per cant over the year.

In England the local authorities have borne the heaviest burdeo of the cuts. At November 1978 prices the allocation for 1980-81 is 24 per cent below the most receot estimates of local autbority housing expenditure for the cnrrent year.

Using the same estimates, produced in September last year, and on tha sama basis, the cut for the Housing Corporatioo is 7 per cent, and for the English new towns 11 per ceot.

The Government moves were angrily condemnad by Labour and Liberal MPs as a recipe for housiog shortages and soaring bouse prices.

Mr. Heseltine was warned that the rent increases would fuel further inflationary wage damands.

The Environment Secretary insisted that the revised programmes were a realistic assessment of what the nation could afford.

Taxpayers and ratepayers had been contributing to a subsidy of £30 a week for tbe average new council house, be said.

Rents bad fallen to 6.4 per cent of income, and had been a major factor in local authorities' inability to meet housing costs finance investment and maintain their stock.

Mr. Heseltine added: "The ampbasis of public-sector bousing policy must be to meet particular needs sucb as thosa of the elderly and handicapped.

"We bava to conceotrate on modernising, improving and making better use of the existing atock, rather than on the general provision of new houses."

Local aothorities would be given more flexibility to decide their own priorities.

PSBR to be held—Howe

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SIR GEOFFREY HOWE, tbe Cbancellor, clearly indicated in the Commons yesterday that public sector borrowing would be beld down in the coming financial year. Because of the nearness of the Budget on March 26 it would be wrong to allow a rise in interest rates now, he said.

During Treasury questions Sir Geoffrey repeatedly stressed the Government's desira to reduce public sector borrowing "to get back to a world where interest rates were not too high." However, be would not be drawn on reports that the Budget will aim to hold down borrowing in 1980-81 to under £9bn.

His comments coincided with the announcement of Treasury figures showing that public sector borrowing in the first nine months of the 1979-80 financial year was £9.97bn. This compares with last November's estimate of £8.3bn for the whole 12 months to March and recent suggestions by Sir Geoffrey that the outcome would be about £9bn.

Officials were quick to point out yesterday that it would be wrong lo infer from the latest figures that borrowing would oversboot significantly in 1978-80. The public sector is expected to be a net repayer of debt during the January-Marcb period because of accelerated collection of petroleum revenue tax (bringing in £700m), sales of public sector assets and increased payments of valua added tax. In addition, income tax revenue has been boosted by the rapid growth of earnings.

The big shift from borrowing of £3.14bn in the October-December period last year (on a seasonally adjusted basis and £3.89bn unadjusted) to a net repayment of debt is one of tha main reasons for the severe shortage of liquidity in the money markets. This has pusbed up very short-term interest rates —up to 25-30 per cent overnight —and put pressure on the banks' lending rates.

Sir Geoffrey yesterday defended the Bank of England's action to relieve this pressure by lending the clearing banks £500m a month. He said lt was in response to a temporary shortage of liquidity and that policy remained the same.

Questioned further, Sir Geoffrey said a successful monetary policy depended on the right fiscal balance as well as on interest rates. Conseqnently, with the Budget so near, there was no need to allow the eotire burden of monatary policy to be carried by interest rates.

This can be seen as an indication that public spending cuts and other fiscal changes in the Budget are intended to be sufficient to cut borrowing and to taka the pressure off interest rates.

Sir Geoffrey also said the joint Treasury and Bank consultative paper on monetary control would appear soon. A move was possible towards a mnre direct monetary base control on the banking system but lt would not be a fundamental change.

The detailed borrowing figures show that on a non-seasonally adjusted basis borrowing in the first nine months of the 1979-80 financial year was £11.07bn. This underlines the size of the actual repayment needed during the current quarter to get back to tbe £9bn revised target for the whole financial year.

Parliament, Page 10
Spending figures, Page 6

£2bn plan for N. Sea gas pipeline

By Ray Dafter, Energy Editor

BRITISH Gas Corporation and Mobil will formally recommend the construction of a £2bn North Sea gas pipeline network within the next faw weeks. The Government is expected to endorse the recommendation and allow work to be started this summer.

Mr. Hsmish Gray, tbe Energy Minister, said yesterday the Government would like the pipeline to be in operation by 1984 or 1985. The 400-mile pipeline, which is expected to be proposed by the British Gas-Mobil study team, will belp to ensure gas supplies for the latter part of this century.

The report will confirm that a pipeline, finked initially to about 12 offshore fields, will be able to tap enough natural gas to make the network viable.

The construction of land transmission facilities and a new petrochemical complex in the Cromarty Firth could add £1bn to the estimated cost of the project.

The Government has still to decide bow to finance tha operation. It is expected that a pipeline consortinm will ba established.

Details, Paga 8

Irish consider bids for £50m phone deal

BY GUY DE JONQUIERES AND STEWART DALBY

THE IRISH Goveroment is believed to be close to a decislon on the award of the first contract for an ambitious I£650m (£605m) scbeme to modernise its national telepbone network over the next five years.

The Government bas said it will expect the winner of the contract to manufacture a substantial proportion of tbe equipment required for the scheme, including highly advaoced digital exchanges, in Ireland.

The bidders—there are believed to be seveo in all—hsve been asked to submit with their teoders proposals for establisbing local manufacturing facilities.

They are understood to include CIT-Alcatel and Thomson-CSF of France, Northern Telecom of Canada, L.M. Ericssoo of Sweden and Nippon Electric Corporation of Japan.

No British company is believed to be in the ruoning. This is in spite of the formal annouocemant last year that System X, the tecbnically advanced telepbone system developed joiotly by the Post Office, GEC, STC and Plessey, was opeo for orders.

The value of the first contract, for switcbgear and other equipment, bas not been disclosed, though it is understood to be for under I£50m. But the winner would clearly be well placed to take part in the later stages of the scbeme.

Nippon Electric bas told the Irisb governmant that, if it wins, it will set up a plant in Ireland to manufactura equipment in partnersbip with Carroll Iodustries, the Dublin-based tobacco company.

Nippon Electric already bas a semi-conductor plant operating in the Republic, a fact which soma observers believe could swing the scales in its favour.

Carroll Industries said yesterday that it had beeo approached by Nippon Elactric with the partnersbip proposal. If tbe bid was successful, be said, Nippon Electric would supply tha technology and maoufacturing facilities, while Carroll would contribute marketiog aod commercial expertise.

It was expected that the proposed joint company would seek to anter export markets in other parts of Europe once the Irish telecommunications scheme was complated.

Steel dispute

Continued from Page 1

Europaan Coal and Staal Community financial mechanisms. These could enable the commission to match increased UK spending, if directed at cushioning and extending the BSC rundown.

There has been speculation that as much as £50m could be svailable from the Community over several years, provided there was a similar contribution from tha UK.

Christian Tyler, writes: BSC wbose negotiators meet union leaders again today, now beliave that only tha Government can find tha extra money that the unions are demanding.

Its last offer, of 10 per cent at national level and another 4 per cent minimum in raturn for local productivity daals, bss baen rejected by all 13 unions in the industry. Today tbe Iron and Steel Trades Confederation and the National Union of Blastfurnacemen are expected to nama the figure on wbich their members would settle.

The unions were giving nothing away last night, but the figure is probably nearer 17 or 18 per cent than 14 per cent.

In the Commons, Mrs. Margaret Thatcher congratulated workers at the privately-owned Sbeerness steel plant in Keot for defying Thursday's mass picket and staying at work. Sbe also congratulated the police.

Tomorrow, ISTC officials will meet in Sheffield to consider a warning by another private steel company, Hadfields, that it would be forcad out of business unless work resumed. The Hadfields workforce reluctantly rejoined the sympathy strike

Mr. Derek Norton, chairman of Hadfields, bas told union officials that the company cannot continue to lose £500,000 a week, and that the 2,800 jobs are at risk.

Richard Evans writes: Ministers point to the vote earlier this week by BL workers against strike action as an event of major importance. They see it and the decision of the Sheerness steel workers to continue working despite mass picketiog as turning points thst will provide an effective rebuff to the Opposition censure motion next week.

Tha debate, on a motion of no confidence, will be held oext Thursday, with Mr. Callaghan launching an onslaught against the whole range of the Government's economic and social policies. Last night be urged all Labour MPs to vote in the division. Earlier he suggested that Commons committee meelings should be cancelled to allow maximum attendance.

Water unions set to accept offer

BY PHILIP BASSETT, LABOUR STAFF

WATER authority employers yesterday improved their pay offer to 33,000 manual workers in tha supply and sewerage industry by pntting forward a package worth 21.4 per cent.

The offer, which seems likely to be accepted, is ona of the highest tabled so far in this round in the public sector. It is likely to push np the bopes of comparable groups, including 40,000 gas workers who have rejected an offer of about 17 per cent and 96,000 power workers who are also at present in negotiation.

The package was outlined in informal talks between the two sides earlier this week. It was signalled again at the start of yesterday's negotiations with the employers' body, the National Water Council, which were still going on last night.

Mnch of the rest of the day was spent dealiog with pressure from the union side for an employers' commitmeot on maintaining comparability with gas and electricity supply in the next pay round.

A joint comparability study, agreed as part of last year's settlement, bas formed the basis for much of the negotiations this year.

The employers were insisting, though, that they had met their nbligations on comparability with this oew offer and that no commitment could be given.

The offer improves the comparability payment from 6 per cent on the wages bill to 7.2 per cent, or about £10m. An increase in basic rates, shift, stand-by and call-out allowances amounting to a further 13.2 per cent, or £18.7m, would be paid on top of that.

This method of payment would yiald a further 1 per cent to take the overall package to 21.4 per cent, or £30.3m nn the wages bill.

The deal would add between 52p and 58p a week to the basic rates pnt forward in the last 19.2 per cent offer, which was rejected before yesterday's talks by the majority of workers in the industry, thougb the agricultural workers narrowly voted tn accept the packages. It would take basic rates to £56.56-£62.51.

Although the deal seems likely to be accepted in the main, officials from some more militant regions such as Yorkshire gave a warning last night that it might not prove acceptable in their areas.

The General and Municipal Workers' Union, the majority union in the industry, which led the rejection of the 19.2 per cent deal, is thought to be ready, if necessary, to put the offer out to ballot this time.

The last package was rejected against the union's recommendation at a delegate conference.

Strike actioo by tha union's 20,000 members in the industry, which had been set for Monday, has heen deferred pending the outcome of yesterday's talks.

Slack demand may unify OPEC price

BY RICHARD JOHNS, MIDDLE EAST EDITOR

A BASIC reference price and differentials for OPEC crude oil could be fixed by the middle of this year, Dr. Humberto Calderon Berti, Venezuelan Minister of Energy, said in London yesterday.

This agreement could be reached by the Organisation of Petroleum Exporting Countries because of slack demand.

The agreement would end the past year's cbaos and the spread in official selling prices which bas now widened from $26 per bsrrel for Saudi Arabla tn the $37.41 set by Algeria.

Dr. Calderon would not estimate wbat level of compromise might be possible. But any reunifying of OPEC's price structure could be expected to involve a substantial incresse in official selling prices at the lower end of the range accounting for tbe bulk of production.

Nevertheless, Dr. Calderon predicted that market conditions would provide the basis for agreement because of the record level of stocks, currently at an estimated 5bn barrels, resulting from beavy inventory building and the mild winter.

Bnt be expressed no firm confidence that OPEC would succeed at its next Ministerial Conference, scheduled for Algiers in June, in establishing a common price structure after baving failed at the Caracas meeting last December.

Dr. Calderon was speaking before the final meeting of OPEC's long-term strategy committea which is expected to complete recommendations about pricing and production policy over the next 15 years.

Bnt be acknowledged that its suggestions wonld remain of academic interest until the present pricing structure is reunified.

At present, members might raise prices to $100 a barrel over the next two months, the Venezuelao Minister said. Clearly, be did not mean his words to be taken literally but was warning of the coosequences of tha chaoa in the market over the past year, during which prices have more than doubled.

Dr. Calderon stressed his Government's conviction that there should be agreement on prices and production levels. However, during a tour of OPEC member states in the company of President Luis Herrera Campins, Venezuela is understood to bave found them far from agreement on the vexed problem of differentials between the prices of different crude varities. It was nn this issue that the chances of agreement foundered in Caracas.

The indications are that other producers are only too bappy to continue profiting from the multi-tier system, as long as market conditions allow them to do so.

Weather

UK TODAY

MILD with rain at times.

London, S.E. England and East Anglia

Some bright intervals at first, mostly cloudy with occasional rain. Mild. Max. 11C (52F).

Cent. S. and N. England, E. and W. Midlands, Channel Is.

Occasional rain, mostly light. Drier later. Mild. Max. 11c (52F).

S.W. England, N. and S. Wales

Rather cloudy at first, becoming brighter with some sunny inlervals but showers developing later. Mild. Max. 12C (54F).

N.W. England, Lakes, Isle of Man, S.W. Scotland, Glasgow

Outhreaks of rain, some bright intervals later. Mild. Max. 11C (52F).

Argyll, N.W. Scotland, N. Ireland

Showers or looger periods of rain, soma bright or sunny intervals developing. Temperatures near oormal. Max. 8C (46F).

Outlook: Mostly dry and mild at first, overnight fog patches and frost in places, becoming cloudy wlth some raio in the North later.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	12	54	Lisbon	C	8	48
Algiers	C	16	61	Locarno	S	8	46
Amsdm.	S	8	46	London	C	10	50
Athens	C	7	45	Luxmbg.	S	6	43
Bahrain	S	18	65	Luxor	S	23	73
Barclna.	R	11	52	Madrid	C	11	52
Beirut	C	13	55	Majorca	C	13	55
Belfast	C	7	45	Malaga	F	17	63
Belgrd.	S	3	37	Malta	C	13	55
Berlin	S	7	45	M'chstr	R	9	48
Biarritz	F	18	61	Melbne.	R	23	73
Bmghm.	R	8	48	Mntreal.	C	1	34
Blackpl.	C	7	45	Munich	S	5	41
Bordx.	C	11	52	Nairobi	S	25	76
Boulgn.	F	10	50	Naples	F	12	54
Bristol	R	9	48	Nwcstl.	R	8	46
Brussels	S	11	52	N. York	S	10	50
Budpst.	S	7	45	Nice	F	12	54
B. Aires	S	24	74	Nicosia	F	14	57
Cairo	S	19	66	Oslo	C	0	32
Cardiff	C	8	46	Paris	S	11	52
Cas'b'ca	C	18	61	Perth	S	27	61
Cape T.	S	25	77	Prague	S	4	39
Chicago	R	3	37	Reykjvk	Sl	3	37
Cologne	S	8	46	Rhodes	F	13	55
Cpnhgn.	C	—1	30	Rio J'o	C	30	86
Corfu	S	13	55	Rome	C	11	52
Dublin	C	8	46	Salzbrg.	S	7	45
Dbrvnk.	S	11	52	Singapr.	S	31	87
Ednbgh.	R	7	45	Stckhm.	S	—3	27
Faro	C	12	54	Strasbg.	S	4	39
Florence	F	11	52	Sydney	S	38	100
Frankft.	S	7	45	Tangier	F	15	59
Geneva	F	18	61	Tehran	S	4	40
Glasgow	C	7	45	Tel Aviv	S	17	63
G'nsey	C	7	45	Tenerife	C	16	61
Helsinki	C	—4	25	Tokyo	C	7	45
H. Kong	C	17	63	Toronto	C	2	36
Innsbrk.	S	6	43	Tunis	R	14	57
Invrnss.	R	7	45	Valencia	C	11	52
I.o.Man	C	8	46	Venice	S	7	45
Istanbul	C	3	37	Vienna	S	5	41
Jersey	C	8	46	Warsaw	S	—2	28
Jo'burg	S	25	77	Zurich	S	5	41
L. Plms.	S	20	68				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Continued from Page 1

U.S. hint

American price advantage came from the dollar's exchange rate and efficient modern plants, installed at considerable capital cost.

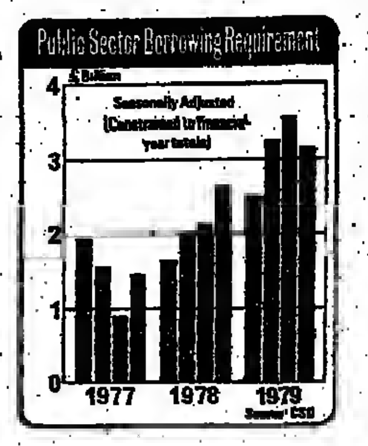
He insisted that there was no link between the Britisb quotas and the likelihood that the U.S. steel industry would soon initiate anti-dumping action against EEC steel axports. Washingtoo bad tried to prevent the move, hnt be expected U.S. Steel to file an anti-dumping complaint next week.

Following talks with the EEC Commission in Brussels this week, Mr. Askew said be was now more confident that the U.S. and the community would ba abla lo "manage" the ramifications of an American anti-dumping suit. But wbile there was "a fsint glimmer of hope," ha would not say what bad caused it.

THE LEX COLUMN

Vertigo in the bond markets

Index fell 0.7 to 457.6



This week the UK gilt-edged market has been something of a haven of peace amidst the disaster areas of other major bond markets around the world. Yesterday, for instance, German bonds were again nn the slide, and in Los Angeles Mr. Henry Kaufman added to tha U.S. bond market's agonies by suggesting that nothing short of a state of national emergency would be adequate to cope with the inflationary crisis.

The full impact of the rise in oil prices late last year is now being felt by the world's banking system and securities markets. Credit has becoma markedly tighter in most countries as the oil price rises push industry deeper intn financial deficit and governments try to control monetary growth. The squeeze has pricked tha speculative bubble ln commodities, and is putting severe pressure on bond markets, where investors have anyway woken np tn the sharp acceleration in worldwide inflation.

The recent steadiness of UK gilts must partly reflect the fact that yields are still somewhat higher than on dollar bonds, while sterling does nf course have the backing of North Sea oil. Partly, too, it reflects tha market's faith in the drastic change ln fiscal policy. Yesterday's official figures on the pnblic sector borrowing requirement in the October-December quarter sbow a sligbt reversal in the alarming two-year expansionary trend, and in fact if the Government is to bit its £9bn revised target for the financial year there will have to be a £1bn or so surplus in the current quarter. This explains the current crashing and grinding of gears in the money markats (even though the authorities slipped briefly into reverse over make-up day).

Beyond the Bndget, the PSBR will expand again bnt only — so the story goes — to between £2bn and £2.5bn a quarter. But the Budget statement will have a hard task to prove that this, and the maintenance of current money targets, are at all easily compatible with a pay round rising through 20 per cent.

Sime Darby

The interim statement from Sime Darby will be read with special interest by directors nf the Guthrie Corporation—who conld be figbting a bid from the company in six weeks time. That will be the first anniversary of Sime's unsuccessful bid last year, wbicb will leave it free under the takeover rules to come back for the 70 per cent of Gnthrie which it failed to pick up last tima.

Sime's interim balance sheet shows that Guthrie would be a very big mouthful at today's prices. Last year's bid waa around 525p per share: today, thanks to mucb higher commodity prices, the shares stand at 805p, and Slme would surely bave to offer 900p or more if lt wanted to be sure of avnlding the bumiliation of a second defeat. That would mean forking out over £180m.

Sime's net worth is £169m, and there is annther £71m of minority shareholders' funds to support its term loans of £105m. Thanks to the removal of exchange controls lt would be much easier to offer paper today than lt was a year ago, but a share offer would probably have to be underwritten and conld leave Guthrie sharehnlders with roughly a third of the enlarged equity. Such dilntion nf control might not be too popular in the Far East. A bid could be made through Consolidated Plantations, a quoted subsidiary, but at the cost of diluting Sime's interest from nearly two-thirds to roughly one-third.

Sime may not be motivated by financial considerations alone. But it is not going to get Guthrie without a lot of help from its friends.

Bath and Portland

Bath and Portland's 1978-79 figures are deeply scarred by its disastrous experience in Iran. The loss of earnings from this source with related finance costs, accounts for most nf the fall in pre-tax profits from £5.2m to £2.8m, althougb the absence of work in Iraq, and a move into loss by the UK contracting division have contributed.

The company has decided that it cannot rely tax relief to provide 52 cent of its earlier £3.5m vision against Iranian los So there is a £1.82m ex ordinary item, after which unchanged dividend paym is not covered.

At last night's price of the market capitalisation only £7m, a discount of 60 cent to net worth. The Iran positions should be resol soon, probably through ECGD, and most of the businesses seem to be reasonable shape. But the per cent yield is signalling bid prospects.

Royco

In opportunistic entrep eurial tradition, Mr. Roy St wick is taking full advantag the opportunities that the st market affords. Having launc his property development c pany, Royco, thrnugh the g offices of First National Fina in 1972, on a p/e of 15.3 an six times asset value, he is offering to buy it back o four times multiple at aro net worth.

The independent directo tbe company have stated they regard Mr. Strudwi offar as inadequate, but admit that profits may be cyclical peak and the shares liabla to fall.

Mr. Strudwick's advi claim he is happy to leav quoted minority in tbe comp as long as the minority un stands what it is in for. company will be run on q private lines, and divided tribntion may be irreg Small shareholders may dep this state of affairs, but is not much they can do a lt: the institutions who their shares to Mr. Strudw allowing hlm to take his hol up from 37 per cent to just 50 per cent, clearly chose vote with their feet.

The advice from the i pendent directors that sh bolders should hang on w carry more weight if they a substantial stake themsel rather than just 500 sh between them. Long-term vestors may choose to bold with a view that nne day Strudwick may get tired maintaining a Stock Excha quote and make a generous bid to buy them But in the present market, a share cash is not an enti bad way out of an unsatis tnry investment. But it is fortunate that Mr. Strudw does not have a longer-t view of the commitment undertook to his public sh holders.

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